EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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BRAZIL
Victorious Collor may bide his time
Page 16

World News

Bush faces congressional row over China policy

President George Bush's policy of keeping open high-level contacts with the Chinese leadership has come under renewed fire from congressional leaders and a former US ambassador to Peking. Page 16

Moscow ruling
The Soviet Union effectively laid down seven preconditions for closer co-operation and possible union between the two Germanys, including the neutrality and demilitarisation of any unified German state. Page 2

Mandela in talks
Nelson Mandela, jailed leader of the ANC, has held talks with black political leaders in preparation for negotiations with Pretoria over the country's future. Page 4

Lithuania party plans
Algirdas Brazauskas, Communist party leader in Lithuania, formally proposed that his party break away from the Soviet Communist Party. Page 3

Sarney offers to quit
President José Sarney of Brazil has said he would offer no resistance if his successor, Fernando Collor de Mello, insisted on taking office before the official inauguration date. Page 16

Sweden faces row
Western diplomats predict that another arms row could be about to erupt between Sweden and India, following reports that Tamil separatist rebels are using a Swedish-made anti-tank gun in Sri Lanka. Page 4

Martial law lifted
The new Jordanian Government plans to lift the martial law which has existed for 22 years. Page 4

Serbia rejects plan
Yugoslavia's efforts to emerge from economic crisis received a blow when Serbia, the largest republic, rejected an emergency recovery plan prepared by the federal government. Page 4

Egypt's nuclear plea
Egyptian energy officials called for greater use of nuclear power as the cleanest energy source and urged rich nations to subsidise reactors for the Third World.

Fish get protection
EC fisheries ministers agreed to protect stocks of cod and haddock by cutting catches in the coming year.

Mozambique to vote
Mozambican President Joaquim Chissano announced general elections for 1991 but hinted they would be single party only.

Libya changes mind
Libya has decided to attend this week's meeting of Arab and EC foreign ministers in Paris, which it earlier announced as a plot to drive a wedge between itself and the rest of the Arab world.

Chinese imposters
A ship chartered by China will take home on Thursday 301 Chinese nationals who arrived in Japan posing as Vietnamese refugee boat people, a Foreign Ministry spokesman said. Page 4

US mid-air crash
The US Air Force said it had temporarily suspended air combat training flights in West Germany after a mid-air crash killed one pilot and showered debris over a town.

Flu kills 100
An influenza epidemic killed more than 100 people in Britain in the first week of December, according to official figures.

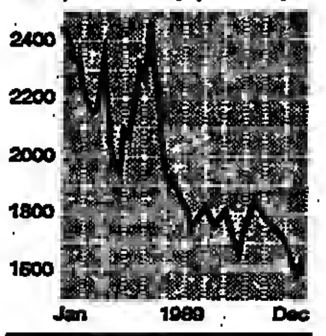
Business Summary

Britain will pay £150m to Clowes investors

The UK Government announced a £150m ($236.85m) payout to the investors in the collapsed investment group Barlow Clowes, marking an unprecedented official bail-out for the 18,000 investors caught up in the affair. Page 16

ALUMINIUM prices on the London Metal Exchange continued to retreat with cash metal shedding $27 to $1,587 a tonne, the lowest closing price since the 99.7 per cent cash price came on the board in August 1987. Page 24

Aluminium
Cash price 99.7% ($ per tonne)



FERRANTI International Signal, troubled UK defence electronics group, believes it is unlikely any company will bid for it by the deadline of February 5 that it has set for offers. Page 17

TRADE: The green light was given for negotiations to start next year aimed at allowing goods, services, labour and capital to flow freely between the 19 countries of the EC and the European Free Trade Association. Page 16

SWAN Hunter Shipbuilders, UK Tyneside yard, has won its way back into the Government's warship construction programme by clinching a batch order worth more than £300m ($480m) for three Type 23 anti-submarine frigates. Page 8

NFC, transport, distribution and travel group, announced a 34 per cent advance to pre-tax profits of £90.2m ($144.3m) for the year to September 30. Page 18

LLOYD'S OF LONDON members started the largest single legal action brought by such a group over the loss of £304m ($487.3m) by the underwriter R.H.M. Outhwaite. Page 8

ALAN BOND, besieged Australian entrepreneur, said that he would soon proceed with the long-awaited deal for Bond Corporation Holdings to sell its beer interests to Lion Nathan, New Zealand brewer. Page 18

BRITISH LAND, property company, suffered another blow to its chances of winning approval from shareholders for its controversial restructuring plan as one of the two largest shareholders in the company decided to vote its 7.37 per cent stake against the scheme. Page 17

READER'S Digest Association, publisher of the world's most widely read magazine, is to raise up to $550m through an initial public offering of 21.2 per cent of its total common stock. Page 18

IMF is expected to release $264m early next year to help finance the Philippines' debt buy-back programme, senior Finance Department officials said. Page 4

ABITIBI-PRICE, pulp and paper group 80 per cent controlled by the Reichmann family of Toronto, is halving its quarterly dividend to 12.5 cents a share. Page 18

BANK of Tokyo is extending its London-based fund management activities by buying out its joint venture with Touche Remnant, UK fund management firm. Page 21

Soviets join West to condemn Ceausescu

By **Judy Dempsey** in Budapest, **David Buchan** in Brussels and **Peter Riddell** in Washington

THE SOVIET UNION and the Western allies united yesterday to condemn President Nicolae Ceausescu's regime in Romania as the death toll in last weekend's military crackdown in the city of Timisoara appeared to be about 400.

Large parts of Romania were last night said to be virtually under martial law, although reports on the situation in the country, which has in effect sealed its borders with the outside world, remained sketchy.

However, the Soviet and Yugoslav media reported that tension was high in Bucharest, the Romanian capital, with institutions and factories under heavy guard and soldiers patrolling the streets with automatic weapons.

Travellers arriving in neighbouring Yugoslavia and Hungary reported seeing military activity across the country and Bucharest airport ringed with tanks. Hungarian radio also reported yesterday that clashes were continuing in Timisoara.

Mr Eduard Shevardnadze, the Soviet Foreign Minister, said in Brussels that he had received "preliminary information about some unpleasant things that have happened there."

Answering questions on a visit to Nato headquarters, he said: "I can only say that, if indeed some loss of life has occurred, I can only express my profound regret."

In Washington, Mr Marlin Fitzwater, President Bush's spokesman, described the crackdown on political demonstrators as "totally unjustified."

In London, Mr William Waldegrave, a Foreign Office minister, urged Romanian state employees to overthrow the Communist Government for their own safety.

"The right thing for them to do from their own safety point of view is to represent the true will of the Romanian people and put an end to this regime," he said.

The main source of news about the events in Timisoara on Sunday remains the reports of witnesses who have arrived in neighbouring Hungary and Yugoslavia.

Hungarian radio, another source, quoted a young Hungarian with relatives working as doctors in Timisoara as saying 250 people died in one hospital alone, and estimating the final toll at 300-400.

"Hundreds are lying in the hospitals with terrible injuries, bullet wounds, contusions, others crushed by tanks," he said.

A lorry driver who had crossed the border into Yugoslavia said: "It was just horrible. I saw people being killed. I saw two fires burning on the outskirts of the city."

Another lorry driver said: "Timisoara is nothing compared to Tiananmen Square."

Unconfirmed reports say the demonstrators, who swelled in number from 300 to many thousands in the early hours of Sunday morning, marched on the city's Party headquarters and tried to burn them down. They also overturned cars and set them alight.

The witnesses also say the angry crowds, frustrated following years of repression by the Securitate, broke into a bookshop and burnt any books written by President Ceausescu.

They also burnt placards and effigies of the President which are on display in every Romanian city and town.

Mr Ceausescu is continuing with his state visit to Iran, apparently unconcerned about the violence in his country. He assured Iranian leaders in Teheran on Monday that his country's economic and social position was "good, stable and balanced," according to the official Agerpres news agency.

In his absence the country is being run by his wife, Elena, his designated number two.

In the first indirect reference to the demonstrations, Scinteia, the Romanian party daily, yesterday warned that "the authorities will take all the necessary means to restore the situation." It did not give any details of the Timisoara riots.

Kohl-Modrow – Moscow points the way, Page 2; Lafontaine stakes claim; Reunification – a question of democrocy, Page 3; Editorial comment, Page 14

Kohl urges patience ● Brandenburg Gate to open ● Extra economic aid agreed

German leaders prepare for unity

By **David Marsh** in Dresden

MR HELMUT KOHL, the West German Chancellor, last night told a vast and rapturous crowd in Dresden that East and West Germany were on the way towards national unity, but appealed for "patience" to prevent the move running out of control.

In a summit meeting with Mr Hans Modrow, the East German Prime Minister, the two states agreed to sign next spring a formal co-operation treaty to pave the way for confederal links.

The summit also brought an accord on an extra DM3.5bn ($2.03bn) in West German credit guarantees to support the East German economy, as part of a series of efforts to improve collaboration in transport, the environment, social policies and culture.

Mr Modrow announced that the symbolic Brandenburg Gate which divides East and West Berlin will be opened before Christmas.

Visa-free travel between West and East Germany will be also brought in by December 24, a week earlier than planned. In another move to emphasise East German reforms, Mr Modrow said his country would release soon all political prisoners, if possible for Christmas.

Throughout yesterday, Mr Kohl was feted by thousands of Dresdeners shouting "Helmut, Helmut" and brandishing pro-unity slogans. But the high point came with his open air address after laying a wreath at the ruins of the Church of Our Lady, bombed in the Allied attack on February 1945.

Surrounded by a forest of black-red-and-gold flags, interrupted repeatedly by chanting of "Deutschland, Deutschland," Mr Kohl proclaimed that the two Germanys were on the "difficult path" to forging a common state, but needed to take into account the views and interests of neighbours in East and West.

"My goal, if the hour of history allows it, is the unity of the nation. With common sense and moderation and a sense for realities, we can reach our goal," he declared to a roar of applause from tens of thousands of East Germans massed in the square in front of the bombed remains.

Increasing polarisation in East Germany over unity was however underlined by a rival anti-reunification demonstration by left-wing groups in East Berlin last night.

Mr Kohl told the crowd that after free elections in East Germany next May, joint committees could be set up between the two states as part of "confederative structures" which both sides agree.

At a joint press conference with Mr Kohl, Mr Modrow said that, unlike the Chancellor, he wanted East Germany to remain an independent, sovereign state.

He indicated, however, flexibility over the question of unity by saying that in "one or two years" East Germany would have a further chance of deciding how its self-determination should be carried out.

Mr Modrow and Mr Kohl are to meet again in West Germany around the end of January or early February.

The two sides agreed yesterday to set up joint Economic and Environment Commissions, as well as a study group to improve tourism exchanges.

West Germany is to increase credit lines to back co-operation by smaller industries from DM4.5bn to DM6bn.

Another DM2bn from budgetary funds is to be set aside for guarantees for other industrial projects. A key condition is the new East German law on joint ventures expected to be finalised next February.

West Germany is also to provide a DM100m annually to improve East Germany's post and telecommunications.

The two states agreed to talks to allow Lufthansa and other airlines to fly to West Berlin outside the official "corridor" system run by the western allies since the Second World War.

Talks on building a high-speed train network across East German territory from Hanover to Berlin will start next month, with a West German company to be given leadership of the project.

The two Germanys agreed to allow western newspapers and magazines into the east.

On the reunification issue, Bonn officials during the day tried to calm down the ardour of the crowds. In his speech last night, Mr Kohl said that West Germans "will not leave our compatriots in the lurch" but warned that German unity could only take place under "a European roof."

He said West Germany would respect East German wishes over the future of the second German state. But there was no doubt last night in Dresden where the multitude saw their destiny – "Deutschland, Dentschland."

Moscow points the way, Page 2; Lafontaine stakes claim; Reunification: a qnestion of democracy, Page 3. Romania: Ceaucescu relies on Fear, Page 2

West German Chancellor Helmut Kohl (right) waves to the crowds as he arrives at Dresden's Culture Palace yesterday with East German Prime Minister Hans Modrow

Unexpected delay for IMF accord with Poland

By **Christopher Bobinski** in Warsaw and **Peter Riddell** in Washington

POLAND'S negotiations with the International Monetary Fund on an adjustment programme have run into an unexpected delay, putting into question the Government's ability to initiate its anti-inflation policies as planned on January 1.

Mr Massimo Russo, the European director of the IMF who has been in Warsaw heading the talks, yesterday returned to Washington without the expected letter of intent signed by the Poles.

According to Mr Michel Camdessus, the IMF director general, a signed letter of intent agreed with the Fund would trigger an immediate $215m bridging loan from the Bank of International Settlements in Basle and speed the arrangement of a $1bn stabilisation loan.

Both are needed by the end of this year if Poland is to move ahead with an easing of foreign exchange regulations which is one of the main components of the adjustment programme.

Polish officials yesterday explained that Mr Russo had left as planned with "all the main features of the adjustment programme agreed in principle" and all that remained was for Mr Camdessus and Mr Tadeusz Mazowiecki, the Polish Premier, to approve the text of the letter

Continued on Page 16

Bridgestone falls 62% after Firestone costs

By **Ian Rodger** in Tokyo

BRIDGESTONE, the Japanese tyre group, said its consolidated net income this year would tumble 62 per cent to Y15bn ($107.1m).

The group said the loss is mainly because of unexpectedly high costs incurred in rehabilitating Firestone Tire & Rubber of the US, which it acquired in March 1988 for $2.6bn.

Bridgestona shares fell Y30 to Y1,920 on the Tokyo Stock Exchange following ths announcement. Analysts had been expecting a slight decline in net income this year, perhaps to Y35bn from Y39.9bn last year, mainly because of the high interest costs associated with the $1.4bn debt used to finance the Firestone takeover.

A Bridgestone spokesman said the cost of renovating Firestone facilities had turned out to be more expensive and time-consuming than expected. He said machines had to be idle for long periods, hurting the already-low prodnctivity at Firestone plants.

There was also a suggestion of management problems associated with the takeover. "The two corporate cultures are very different and there is no precedent for this kind of operation," the spokesman said.

Bridgestone has sent 200 engineers to the US from Japan to help restore Firestone's competitiveness. "We think it will gradually come right," he said.

Other problems faced by the group this year included weak markets in Latin America and the Middle East for both Bridgestone and Firestone tyres and intense competition in European markets.

The inclusion of 14 months of Firestone's poor results in this year's consolidated figures will depress the final results.

Bridgestone expects Firestone's performance will partially recover next year and is forecasting a consolidated net income of Y25bn. The group is counting on a full recovery in 1992.

"We must harvest the fruit by 1992," the spokesman said.

Refuge for 225,000 from HK

By **Philip Stephens**, *Political Editor, in London*

THE BRITISH Government will announce today a plan which would give about 225,000 Hong Kong residents the right to settle in Britain in an attempt to underpin confidence in the colony in the run-up to its transfer to China in 1997.

Mr Douglas Hurd, the Foreign Secretary, will announce in the House of Commons the introduction of a new "points system" under which key personnel in Hong Kong's public and private sectors will qualify for full British passports.

Official Foreign Office estimates suggest that as many as 60,000 heads of household could receive the passports, implying an obligation to a total of about 225,000 people if dependents are included.

The threat of a rebellion against the proposed legislation by large number of right-wing backbench MPs, however, may have persuaded Mr Hurd

Continued on Page 16

MARKETS

STERLING
New York lunchtime:
$1.60
London:
$1.6005 (1.603)
DM2.78 (2.7675)
FFr9.50 (9.4525)
SFr2.4975 (2.4825)
Y230.25 (231)
£ Index 86.6 (86.5)

GOLD
New York: Comex Feb
$416.1 (same)
London:
$414.25 (409.25)

N SEA OIL (Argus)
Brent 15-day
$17.02 (+0.02)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.737
FFr5.931
SFr1.5595
Y143.75
London:
DM1.7375 (1.7265)
FFr5.935 (5.8975)
SFr1.561 (1.546)
Y143.85 (144.1)
$ Index 67.9 (same)
Tokyo close: Y143.80

US LUNCHTIME RATES
Fed Funds $8\frac{1}{2}$%
3-mo Treasury Bills: yield: 7.888%
Long Bond: $103\frac{7}{32}$
yield: 7.837%

STOCK INDICES
FT-SE 100:
2,342.1 (−16.4)
FT Ordinary:
1,852.5 (−12.0)
FT-A All-Share:
1,168.64 (−0.8%)
New York lunchtime:
DJ Ind. Av.
2,702.43 (+4.90)
S&P Comp
341.92 (−1.77)
Tokyo: Nikkei
38,439.10 (−147.06)

LONDON MONEY
3-month interbank:
closing $15\frac{3}{32}$% (same)
Liffe long gilt future:
Mar $92\frac{3}{4}$ ($92\frac{1}{2}$)

MARKET REPORTS: CURRENCIES, Page 32; BONDS, Pages 20, 21; COMMODITIES, Page 24; EQUITIES, Pages 25 (London), 33 (World)

CONTENTS

Swapo goes in search of a credible economic policy

Sam Nujoma (left), leadsr of Swapo, committed his party firmly to a "mixed economy" after its victory in Namibia's pre-independence slections. It marked a toning down of the party's Marxist rhetoric. Page 4

EUROPEAN NEWS

Ceausescu relies on fear and army to keep him in power

By Judy Dempsey in Budapest

AS ROMANIA'S party leader, Mr Nicolae Ceausescu, continues his official visit in Iran, apparently confident that the dreaded Securitate, or security apparatus, can clamp down on any further dissent, the leadership's future existence now depends on two crucial factors: the erosion of fear and the loyalty of the army.

It was the gradual erosion of fear, coupled with the possibility of change, which drove tens of thousands of East Germans, Czechoslovaks and Bulgarians on to the streets over the past ten weeks.

And more importantly, it was the immense power of the crowds which forced these hardline party leaderships to retreat so rapidly. But as they retreated, so did the police. The once pervasive power of the Interior Ministry was transferred to the power of the crowds who, with the exception of East Germany, did not, in their new found sense of freedom, attempt to seek violent revenge on the security forces.

The comparison with the events in East Germany and Romania are noteworthy.

The East German leadership was, along with Romania, the most hardline, and utterly dependent on the security forces to maintain its rule. Like Romania, the Stasi, the East German security forces, held sets of files on almost the entire population. Furthermore, unlike Czechoslovakia, and certainly Hungary, the repression used against the opposition did not seem as intense as in East Germany and Romania.

But once the lid was lifted in East Germany, the crowds attacked the system with rage. "The tougher the leadership, the more potentially explosive the crowd will be, once they grasp the rein which will take them to freedom," a senior East European diplomat commented yesterday.

In this context, the Romanian situation is explosive. For one thing, the Securitate is reviled by the population. According to some statistics, over 4m Romanians from a population of over 21m are in some way connected with the internal security forces.

The force, bolstered by a massive network of informers, is organised on a strictly hierarchical basis which not only maintains the highly centralised political and economic structures. But, in addition, in the counties, the Communist party secretaries themselves are controlled by the county Securitate chiefs.

And if the lower echelons of the party are dependent on the Securitate for their power and status, the Romanian citizen is completely subordinate to the police apparatus, requiring its permission, for instance to travel or change jobs.

Cultural events are closely monitored. Theatres wishing to go on tour in another part of the country must first apply to the local Securitate chief who then must seek permission from the police chief running the town which the theatre wishes to visit.

In short, the acquiescence of the population has been gained not through any form of legitimacy but through fear. Which is why the violence last week in Timisoara, in Brasov earlier this month and two years ago, and in the Jui Valley mines in 1977, bodes ill for the future.

"We can expect a terrible blood-bath because the regime has been so brutal to its people," said a Romanian academic who now lives in Hungary.

Whether the Romanian people, hearing about the events in Timisoara on Western broadcast stations as well as the international condemnation of Mr Ceausescu's rule, will find enough courage to come out in huge numbers, remains to be seen.

In such a case, the future role of the army will also be decisive. The Defence Minister is Mr Vasile Milea. But the real power is invested in the Deputy Minister, Mr Ilie Ceausescu, a brother of the President, who is responsible for the political loyalty of the army.

"We have seen people lose their fear in China," a Hungarian Foreign Ministry official said. "We have also seen the army shoot them down in Tienanmen Square. If the army turns away from the leadership and the people lose their fear, the battle will begin."

Moscow points way toward German unity

By David Buchan in Brussels

THE SOVIET UNION yesterday effectively laid down seven preconditions for closer co-operation, and possible union, between the two Germanys, including the neutrality and demilitarisation of any unified German state.

Speaking to the European Parliament here on the day that Chancellor Helmut Kohl started his visit to East Germany, Mr Eduard Shevardnadze, the Soviet Foreign Minister, warned that "the German nation is going through a period of great responsibility in its history" and that it must not allowed to disrupt Europe's post-war stability.

He was fleshing out what President Mikhail Gorbachev had meant when he said on December 9 that relations between the two Germanys must be "shaped in the course of history within the framework of the evolving European process".

Raising questions which he said had to be answered before any practical discussion of German reunification could start, Mr Shevardnadze suggested that West Germany would have to accept unequivocally existing frontiers, that East Germany could not be expected to leave the Warsaw Pact while West Germany stayed in Nato, that the rights of war-time allies in both Germanys would have to be clarified, and that there would have to be "political, legal and material" guarantees that a reunited German nation would not threaten European peace.

He stressed "our very friendly feelings" towards both Germanys, and, significantly, said that it would be up to "the leaders of the sovereign and independent state" of East Germany to decide if they wanted to apply one day to join the European Community.

At the same time, he repeated Mr Gorbachev's statement that East Germany was "our strategic ally and a member of the Warsaw Treaty".

Earlier in the day, at the end of unprecedented discussions with Mr Manfred Wörner, the Nato Secretary-General, at Nato headquarters here, Mr Shevardnadze stressed the stabilising role of both alliances and proposed developing co-operation between them.

Clearly anxious to involve Moscow's war-time allies in moderating the pace of inter-German developments, he spoke approvingly of President François Mitterrand's recent statements to the effect that no European country should act without due regard for the European balance. He then flew on for talks in London with Mr Douglas Hurd, his British counterpart, and Mrs Margaret Thatcher, in which the German question is expected to head the agenda.

After signing the new EC-Soviet trade and economic co-operation accord, Mr Shevardnadze dined on Monday with foreign ministers of the Twelve and then held a bilateral talk with Mr Hans Dietrich Genscher, his West German counterpart. The latter shared his overriding concern for stability, Mr Shevardnadze said.

But Mr Shevardnadze expressed worry that West German politicians had still not explicitly rejected the finding of their Constitutional Court that the states formed out of the old German Reich continued to exist within the 1937 borders. Chancellor Kohl's recent 10-point plan for future relations between the two Germanys had fuelled, rather than allayed, this Soviet concern, he said, though he acknowledged that Mr Genscher had endorsed the Oder-Neisse line that now forms the East German-Polish border.

Mr Shevardnadze recalled that Moscow had in the early 1950s favoured a united, but demilitarised Germany, before West Germany joined Nato, and he believed this idea was worth reconsidering now.

● EC foreign ministers yesterday instructed their diplomats to agree by the end of the year a mandate for the Brussels Commission to start negotiating the trade and co-operation agreement with East Germany.

GM wins round-the clock working at W German plant

By Kevin Done, Motor Industry Correspondent

GENERAL MOTORS, the US motor group, is to introduce round-the-clock, three-shift working at its Bochum car assembly plant in West Germany. It is the first car producer to make such a radical move in the Federal Republic.

West Germany is the leading car-producing country in West Europe and the GM move will put renewed pressure on other volume car-makers – as well as other GM assembly plants – to follow suit in the search for improved productivity and increased output.

GM has been at the forefront in the past two years in seeking radical changes in working practices in the European car industry. It became the first producer to introduce round-the-clock working at a car assembly plant last year – at its Zaragoza assembly plant in north-east Spain.

It has also achieved significant labour reforms at its Antwerp assembly plant in Belgium, where three crews have been operating two 10-hour shifts a day six days a week since autumn last year. The move allowed one old plant to be mothballed and the operation consolidated into a second Antwerp plant without any loss of output.

It has been seeking reforms of working practices at its other European operations in an effort to increase production capacity without building new greenfield site manufacturing plants.

The breakthrough at Bochum, where GM assembles the Opel Kadett/Vauxhall Astra small family car, is particularly significant, as the West German motor industry has the highest labour costs and some of the shortest hours in the world industry.

Industry leaders have warned repeatedly in recent years that the industry would increasingly lose out on new investments to lower cost countries, unless unions accept more flexible working.

Opel, GM's West German subsidiary, said yesterday that the Bochum assembly plant would begin three shift working with effect from April 1, next year. The move will create 680 jobs and will necessitate an investment of around DM30m.

Mr Peter Enderle, Opel manufacturing director, said the move was "a pioneering step", which would strengthen the Federal Republic as a car-producing country by making more efficient use of existing plants.

Output at the Bochum plant will be increased initially from 1,200 to 1,300 Kadett models a day. Night workers will receive an extra DM700 per month and seven working days' additional holiday.

Doubts remain about the depth of the revolution in Czechoslovakia

By A.H.Hermann in Prague

WHAT TOOK years in Poland and months in Hungary is taking a matter of days in Czechoslovakia. The changes are proceeding at breathtaking speed, but for that very reason may not be as penetrating or as real as the euphoria of Prague students, seen through the magnifying glass of the world press, may suggest.

The main symptom of the change is a political fever unprecedented in the entire history of the Czechs. Last Friday a string of events took place, each of which would have been thought impossible a month ago.

First the Communist party announced it was disbanding its party organisations in the army and security forces, the office of President and Prime Minister and in all other departments of state which it hitherto dominated. The party would respect law and constitution and public interest as formalised by the constitutional government.

"The Communist party is a political party conducting its activity in conformity with the constitutional law," said the statement. It was a long way from the slogan "Law is what is good for the party," which used to be displayed prominently in Czech courts of justice.

In addition, the party said leading hardliners were removed from the central committee.

On the same day, General Miroslav Vacek, the Defence Minister, said army service would be shortened from 24 to 18 months, and nine months for university graduates. Reservists called to annual exercises would be reduced this year by 90,000 and the usual military parades would not be held in Prague and Bratislava on the anniversary of the 1935 revolution. He added that fences and minefields were being dismantled along the Austrian and West German frontiers.

That same day the town of Gottwaldov, so named after the first Communist President in 1948, became Zlin once more, the name under which Tomas Bata made it into the metropolis of his worldwide footwear empire.

As if this were not enough, on Monday Mr Marian Calfa, the Prime Minister, received Prince Karel Jan of Schwarzenberg, head of the family which until 1948 owned great tracts of agricultural land and most forests in South Bohemia and in more distant times competed for political power with the Czech kings. But Mr Calfa was shaking hands not only with the so far proscribed aristocrat but also with the chairman of the International Helsinki Federation for Human Rights. The chairman of the Charter 77 human rights organisation was another of his visitors.

However, the coin has another side. The completeness of the volte-face suggests that many of the reformists – and all profess now to be in this category – are simply continuing their blind obedience to commands from above, possibly from Moscow. Some people fear that they might change with the same swiftness again if told to do so.

Many of those who welcome the change and desired it for the past 21 years and longer fear that the 300,000-strong security forces kept intact and under the command of Communist party members could be deployed against the gentle revolution if a change in Moscow made this possible.

Although an overwhelming majority is, undoubtedly, relishing the wave of democratisation, free speech and free travel, many fear the return to market economy. Townspeople fear disruption of supplies which, though poor in quality and offering only essentials with little choice, are enough to ensure that no one goes hungry or cold.

Mistrust is even greater in the country. The collective farmers are doing very well and working less hard than when the land was theirs. For them, Vaclav Havel is an intellectual viewed with suspicion.

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Lithuanian party chief urges a breakaway

By Quentin Peel in Vilnius

THE Communist party leader in Lithuania, Mr Algirdas Brazauskas, yesterday formally proposed that his party break away from the Soviet Communist Party and espouse the ultimate aim of independence, either inside or outside a Soviet confederation.

In a strongly nationalist speech, still expressing firm commitment to perestroika, Mr Brazauskas called for the creation of a confederal Communist party, and a confederal state, from which any republic *would have the right to secede.*

At the same time he proposed a programme which bluntly commits the Lithuanian Communist Party to the "restoration of Lithuanian statehood" and creation of "an independent state", without qualification.

He rejected the repeated pleas of Mr Mikhail Gorbachev not to break away, setting out instead a vision of a democratic Lithuania moving away from "totalitarianism" in the same way as the rest of Eastern Europe.

He revealed that talks had already taken place with Soviet military commanders, including General Dmitri Yazov, the Defence Minister, on the number *and position of Soviet* troops in Lithuania.

Speaking in the huge modern opera hall in the Lithuanian capital, with no sign of any bust or statue of Vladimir Lenin, or any other Soviet Communist leader, he proposed what is virtually a social-democratic party programme for the future Lithuanian Communist Party.

It includes a commitment to multi-party democracy, a market economy, and the primacy of human and individual values over class interest and ideology.

On the steps outside, rival groups of demonstrators demanded either immediate independence, denouncing the *Communist party as an irrelevance*, or complete integration in the Soviet Union – the latter from the Russian-speaking minority of Lithuania.

The Lithuanian Communist Party platform seems certain to be approved by the full-scale party congress today, with 80 per cent of its participants Lithuanian. It is by far the most radical yet presented from within the Soviet Communist Party. Yet many observers believe it will precipitate a rash of similar moves from the local ruling parties.

In all five of these non-Russian republics, the ruling party is facing a dramatic erosion of its position by nationalist movements, and faces humiliating defeat in the forthcoming local elections if it does not itself jump on the nationalist bandwagon. Mr Brazauskas virtually admitted as much yesterday, when he called on the other political parties – at least four more will contend elections in February, apart from Sajudis, the nationalist umbrella movement – to form a united front, and ultimately a coalition government.

Only two weeks ago the Lithuanian Parliament effectively cancelled the monopoly position of the Communist party.

"Brazauskas is the last chance for Lithuanian Communists," Mr Alvidas Juozaitis, a leading member of Sajudis, said last night. "It was a very good speech, but it had nothing to do with communism. Even the name is practically dead. They are reburying this dead body from a Soviet grave to a national grave. It won't help."

Lafontaine lays claim to top role in SPD

By David Goodhart in West Berlin

MR Oskar Lafontaine, one of West Germany's most talented but unpredictable politicians, yesterday laid strong claim to lead the Social Democrats into next year's national election with a powerful address to the SPD party congress in Berlin.

His 70-minute oration inspired many delegates to believe that the party could put its current difficulties behind it.

The 46-year old Saarland Premier, who inherited his French name from a soldier in Napoleon's army, recently appeared to have lost ground in the contest for the party leadership. This was a result of a typically impulsive intervention in the debate over reunification when he suggested that East Germans should not unconditionally be allowed to emigrate to West Germany and thereby undermine both their own economy and the West German social security system.

Although Mr Lafontaine made it clear yesterday he remains less interested in state unity than many party colleagues, his wide-ranging discourse on modernising the case for democratic socialism, laced with attacks on Chancellor Helmut Kohl and his centre-right coalition, won him a two-minute standing ovation from the 400 delegates.

By contrast his main rival for party leadership, Mr Hans-Jochen Vogel, the current chairman, received only perfunctory applause after his address on Monday.

Speaking with only occasional reference to notes, he accused Mr Kohl of bad faith in suggesting that full German unity could be achieved without dissolution of Nato and the Warsaw Pact.

Although he did not rule out a form of unity, he said there was no reason why it had to involve state unity and said that freedom and social justice for people in both Germanys was more important than abstract national models.

He also questioned a policy which endangered the East German economy by encouraging the young to leave and at the same time exacerbated unemployment and housing shortages in West Germany.

Those who welcome young East Germans as a means of resolving West Germany's future pension problem "speak of Germany but have only West Germany in mind," he said.

The SPD, which a year ago had a commanding lead in opinion polls, scored only 37 per cent in the last poll, compared with 41 per cent for the CDU/CSU. The party has been eclipsed by the Government's ability to steer the debate over German unity and by its own disunity on the subject.

France sets tighter money supply targets

By George Graham in Paris

THE Bank of France has set tighter money supply targets for next year in a bid to rein in growing credit demand and keep France's inflation rate under downwards pressure.

Mr Jacques Delarosière, the Governor of the Bank of France, said yesterday that the decision to raise money market intervention rates by half a percentage point on Monday had been designed to send an early signal to the economy. With the same aim, Mr Delarosière said that the Bank of France would tighten its goal for the growth of M2, the narrow measure of money which is the only one officially targeted in France, to a range of 3.5 to 5.5 per cent in 1990.

Some economists have questioned the usefulness of targetting monetary aggregates now France is committed to a policy of fixed exchange rates within the European Monetary System (EMS). Mr Delarosière said that the twin indicators of tha exchange rate and the money supply gave similar signals, and both were useful tools towards the objective of monetary stability.

So far this year, M2 has grown by 5.2 per cent, within the target band of 4 to 6 per cent, but the broader M3 and L monetary aggregates have grown much faster.

Swedish labour model 'could benefit' EC

By Michael Prowse in London

THE European Community should adopt Swedish labour market policies if it wishes to reduce unemployment significantly below the current total of 18m people, says a survey of the world economy.

The World Institute for Development Economic Research (Wider) says the EC should reject the "benefit principle" of passively handing benefits to the unemployed and instead adopt Sweden's "employment principle", which involves "active measures to maintain the working potential of those who lose their jobs."

The report, a wide-ranging analysis of world economic problems by seven leading academic economists, also urges radical policy changes in the US. It says the Bush Administration should take steps to raise low national savings – the root cause of the yawning current account deficit – and consider introducing a value added tax as a means of reducing the budget deficit. The dollar should be allowed to depreciate by a further 25 per cent in real terms over the next four years.

Such a package of measures would substantially reduce the US's dependence on capital inflows and cause world interest rates to fall. Japanese and West German surpluses – which are expected to remain high – could then be recycled to poor developing countries. At the same time, policy on Third World debt should move beyond the present emphasis on debt-reduction.

Debtor countries should be allowed to repay interest in local currency, which could then be used to finance investment in local economies.

The report notes that EC unemployment is still 10 per cent – only one percentage point below its peak – despite a substantial economic recovery. The unemployment rate is unusually high not because more people become jobless than elsewhere but because the duration of unemployment is typically longer.

Nearly half the EC's unemployed have been jobless for more than a year, compared with just 8 per cent in Sweden, where the overall unemployment rate is under 1.5 per cent.

The lesson from Sweden is that the EC should spend more on positive labour market policies to find productive employment for the jobless.

In particular greater emphasis should be placed on high quality training, counselling and placement services bolstered, where necessary, by recruitment subsidies and job creation schemes.

World Imbalances, Wider, Annankatu 42 C, 00100 Helsinki, Finland.

German reunification raises the question of democracy

By Michael Mertes and Norbert J. Prill

THE German question is still waiting for a definite answer. The opening of the inner-German border and the Berlin Wall has not solved the problem. A durable solution can only be found through an act of free self-determination. That is what the East Germans are demanding – and of course freedom, democracy and respect for human rights. Free elections in the GDR planned *for May 6 1990* will be *a first* step in that direction.

If the German question had already been solved, why should the four victor powers of the Second World War still be present in Berlin and continue to exercise their rights and responsibilities in respect of Germany as a whole and Berlin? On the surface, this looks very much like an anachronism. Many Germans are beginning to feel annoyed by this restriction of their sovereignty.

Of course, the four-power presence in Berlin also serves to underline how the German question is still open; and, this being so, the Germans can keep alive their claim to self-determination with a view to reunification. A restriction of sovereignty, de facto rather small, is a price worth paying for such an advantage. But it is becoming harder to explain to German people why this is *not* a contradiction.

Poland, Hungary and Czechoslovakia without communists in charge remain countries in their own rights. What, however, will happen to a truly German *Democratic* Republic without a Communist leadership? The West has at last begun to grapple with the root of this question.

The Germans bear the chief responsibility for making sure that their partners and friends – and the world at large – take seriously their nation's right to self-determination. This was one of the reasons why Chancellor Helmut Kohl set out the Federal Republic's policies on Germany in his 10-point programme last month.

The essence of what he declared had been said time and again for many years. But it had frequently been misunderstood as mere rhetoric. Against the background of the peaceful East German revolution, the policy has now been put into a broader framework where West Germany's *Ostpolitik* and *Europapolitik* have been shown to be parts of a consistent strategy.

One of Mr Kohl's key sentences was: "The future architecture of Germany must fit into the future architecture of the whole of Europe." That emphasises the Federal Republic's active role in the Helsinki process, as well as the undi*minished German commitment* to intensifying Western European integration. But the Chancellor also made clear that, in order to solve their national question, the Germans unequivocally need the solidarity of their friends.

Of course, there are reservations abroad over whether German unity would be a good thing for Germany's neighbours. The right answer to such objections was already found in the 1950s – at a time when doubts on whether the Germans had drawn the necessary lessons from the past were still understandable.

In the Bonn Convention *(Deutschlandvertrag)* of 1952, the US, Britain and France committed themselves to support the aim of reunification. There are two conditions: that a united Germany must have a free-democratic constitution, on the lines of the Federal Republic; and that it must be integrated within the European community.

A free-democratic constitution is precisely the most important aim for which hundreds of thousands of East Germans have been demonstrating. Some people in the West think that introducing freedom into the eastern half of Europe is a source of instability. But the opposite is true: instability stems not from those who demand freedom, but from those who withhold it.

As to the second condition, integration means giving up parts of national sovereignty, in order to exercise it along with others. Konrad Adenauer knew that only in this way would German unity be acceptable to our neighbours. Additionally, he saw that only a united and successful Western Europe would exert sufficient gravitational force to attract the central (and dictated to) East European populations.

Adenauer and his fellow European pioneers have been proved right. Integration of the Federal Republic into the West has long passed the point of no return. Despite occasional complaints, the West Germans know very well that overall their freedom, prosperity and jobs are tied up with its membership of the European Community and the Atlantic Alliance.

Some people abroad may wonder whether *support for* Western integration would also hold good for a united Germany. They should be asked a counter-question: do they really believe that hundreds of thousands of demonstrators in Leipzig, Dresden and other cities would want a united Germany to turn its back on the West? Of course not! They want to participate in the blessings of West European integration.

Everyone knows that the Soviet Union holds the key to the answer to the German question – in a legal and factual sense. In the final analysis it is conceivable that the Soviet Union will eventually recognise the usefulness of some form of united Germany, firmly embedded in the community of European nations.

It is true that German unity will only become acceptable to the Soviet Union to the extent that the antagonism between East and West disappears. Nato and the Warsaw Pact will have to develop, in Chancellor Kohl's words, "comprehensive security structures" that take into account the legitimate security interests of all parties concerned.

The Soviet Union seems to have begun to think intensively about all these intricate questions. Additionally, the proposals of Mr James Baker, the US Secretary of State, on a new more *political* role for Nato have been a very constructive response.

German unity will prove a bonus for the whole of Europe, from the human, cultural, economic and political points of view. This is not a zero sum game; everyone will win. It would be ill-advised to let the chance go by.

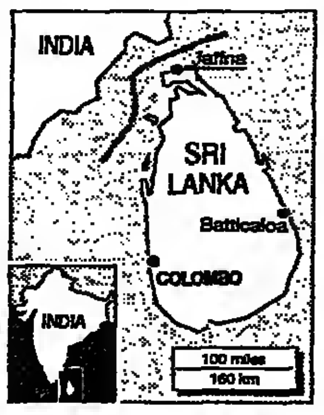
The authors are advisers to Chancellor Helmut Kohl in the Bonn Chancellor's Office. They express their views here in a personal capacity.

OVERSEAS NEWS

Tamil separatists deploy advanced Swedish gun

By Mervyn de Silva in Colombo and Robert Taylor in Stockholm

RIVAL Tamil separatist rebels are reported to be using the Swedish Carl Gustav 81 mm recoilless anti-tank gun in the battle for Batticaloa, the Eastern Province capital, and western diplomats predict that another Indo-Swedish arms row, this time over end-user conditions, may be about to erupt.



Mr Sven Hardman, Sweden's chief war materials inspector, yesterday said that he did not believe that an infringement had occurred of the conditions covering the relevant arms agreement between India and Sweden which was signed signed 13 years ago.

Under its provisions covering the licensing of the manufacture of the gun and its ammunition in India it is made clear that the weapon cannot be sold to any other country. Mr Hardman pointed out that the Indian forces in Sri Lanka were entitled to use the anti-tank gun under the agreement.

The fact that the weapon might have been provided by Indian forces to Tamil groups in Sri Lanka did not violate the 1976 agreement between the Swedish arms manufacturer FFV and the Indian and Swedish governments.

The British military attaché in Colombo could neither confirm nor deny that many diplomats were aware that the FFV gun was being used to blow up police stations in the east of Sri Lanka but he said: "We used it in the Falklands and its the best there is."

Earlier this month, the Tamil National Army (TNA) used the gun to blow up four police stations in the predominantly Sinhalese and Moslem areas of the Eastern Province, killing 41 Moslem police reservists and several Sinhalese policemen. Thousands of Sinhalese and Moslem villagers fled their homes in the face of the TNA attacks.

The "Carl Gustav" has found its way into the hands of at least two other Tamil groups, the pro-Indian EPRLF and the powerful Tamil Tigers (LTTE). Sri Lanka police suspect that the Tigers may have seized a few Carl Gustav guns from the TNA but a Tigers' spokesman said two were captured from the Indian peace-keeping forces long ago. "But we have no shells," he said. He claimed the weapon had been given to the TNA, which was trained and equipped by the Indian forces on the island.

Mr Ranjan Wijeratne, the Sri lankan Foreign Minister, calls the TNA "an illegal army" consisting largely of teenage conscripts, trained and armed by the Indian peacekeepers. The Indians have always denied handing over sophisticated weapons but Mr Wijeratne yesterday repeated his allegation that the TNA had been given weapons "more sophisticated" than any in the Sri Lankan armoury. This included, he said, "an anti tank gun". Asked whether it was of Swedish make he replied "Yes, we believe that".

It is not clear how the revelations will affect other arms deals. "There is another and even bigger Swedish arms deal to India in the offing, and any violation of end-user conditions could affect that transaction," said a Scandinavian diplomat, who did not wish to be identified.

However, Mr Hardman denied that the revelations about the use of the Carl Gustav in Sri Lanka threatened in any way the existing arms licensing agreement between India and the Bofors company on the manufacture of the Howitzer 155 mm heavy gun, which was signed in 1986.

The Swedish Government has given permission for the company to manufacture the Howitzer in India and it is now up to the new Indian Government to decide whether to go ahead with this second part of the three-year deal. "There is no linkage at all between the matter of the Carl Gustav and the Howitzer deal," said Mr Hardman.

Launch of Iraqi space rocket fuels fears in Israel

Hugh Carnegy and **Victor Mallet** assess the dangers of missile proliferation in the Middle East

THE SURPRISE launch of an Iraqi space rocket this month and Syria's reported attempts to procure Chinese missiles have revived fears in Israel and elsewhere about the grave dangers of missile proliferation in the Third World.

Governments trying to restrict the spread of missile technology are anxious not to let the warmer relationship between Moscow and the West or the turmoil in eastern Europe overshadow the risks posed by missiles and chemical or nuclear warheads in developing nations.

Unlike the superpowers, unstable Third World countries and their dictators are regarded as difficult to engage in negotiations. Some might be unimpressed by the threat of mutually assured destruction.

Iraq may have a long way to go when it comes to developing a nuclear device, but President Saddam Hussein showed no compunction about the use of chemical weapons against Iranian forces and their Iraqi Kurdish allies during the Gulf war. Iraq's ambitions for unequivocal leadership of the Arab world, its growing military power and the government's hatred of Israel and Syria as well as Iran constitute a particularly serious long-term threat to Middle East peace. It was therefore with alarm that the world learned of Iraq's launch of the Al-Abed (The Worshipper) rocket on December 5. Space rocket and long-range missile technology are essentially the same. "If you configured this as a missile it could go 2,000 miles at least," says Mr Gary Milhollin, director of the Wisconsin project on nuclear arms control in Washington. Such a range would put Moscow and Western Europe within reach.

Experts examining Iraqi television pictures and Western intelligence data believe the rocket was liquid-fuelled and may have attempted to put something into orbit. Perhaps it was boosted with adapted Scud missiles.

Whatever the details, Western governments were once again taken by surprise by Iraq's technological prowess. At the same time Iraq said it had built a separate 2,000km military missile called the Tamuz-1, which may have been a reference to the untested, solid-fuel Condor-2 being developed with Argentina and Egypt.

While the Gulf states nervously adopted Iraq's achievement as an "Arab rocket", Israel was facing another problem. It believes that neighbouring Syria is trying to acquire the Chinese M-9 missile, with a range of 600km and an accuracy far in excess of Syria's existing arsenal.

Following its sale of CSS-2 "East Wind" missiles with a range of more than 2,000km to Saudi Arabia last year, Peking has indicated to Washington, most recently during a visit to China by Mr Brent Scowcroft, President Bush's National Security Adviser, that it will not sell any more sensitive missiles to the Middle East. Most Israelis are not convinced, although some analysts think the Chinese may be using the issue as a diplomatic bargaining tool to repair relations with the US after the suppression of the Chinese pro-democracy movement in June. The addition of the M-9 to Syria's missile stockpile would be another reason for the Israelis to doubt the value of Moscow's restraining arm on its traditional Middle East ally.

China's eagerness to earn foreign exchange by exporting arms to the Middle East is perceived in the West as a potential danger to regional stability; yesterday President Yang Shangkun was in Egypt on the first stage of an 11-day tour which will take him to the United Arab Emirates, Kuwait and Oman.

Israel also works on a worst-case assumption about Iraq. Baghdad's emerging new generation of missiles is regarded as an increased threat from a potential belligerent. The concern is that such weapons are home-made – and therefore without the political strings attached by a foreign supplier – and will have a reach and accuracy not previously achieved. Hence Israel's anxiety about financial and technical assistance from Western governments, companies and individuals for Iraqi weapons programmes.

At a conference on Middle East arms control, or rather the lack of it, at Tel Aviv University last week, Dr Ariel Levite of the Jaffee Centre for Strategic Studies argued that Iraq's present preoccupations were with Iran and its own domestic problems. He said Iraq was not interested in upsetting Israel, which it feared, and Israel should take care not to inflame the situation. But the majority feeling was more alarmist. Israeli officials and analysts repeatedly cite the use of missiles and chemical weapons by Iraq in the Gulf war as a chilling threat to Israel. Israeli defence officials say that by the end of the war last year, the decision to deploy and use chemical weapons had devolved to Iraqi divisional commanders.

Mr Amos Gilboa, a former senior military intelligence officer, said a triple combination of a totalitarian regime, an immature political society and massive destructive capability threatened an explosion. The conclusion being drawn in Israel is that it must not let down its guard of a strong counter-threat based on thinly-disguised Israeli nuclear and chemical capabilities and long-range missiles. This reinforces the cycle of missile escalation at a time when the superpowers are heading in the opposite direction and the West is trying to restrain proliferation through the 1987 Missile Technology Control Regime. At the Tel Aviv conference, Mr Moshe Arens, the Israeli Foreign Minister, said there were no signs of a disarmament initiative in the Middle East and in the meantime "the most important, the dominant, stabilising element in the area is Israel's strength."

Correction

Westland in India

A REPORT in yesterday's Financial Times regarding a fatal helicopter crash in Bombay - "Delhi stops flights by Westland" - was incorrect.

The helicopter which crashed near Patna, killing seven people on Friday was not a Westland-30 as reported, but was an Aerospatiale Dauphin 365N.

The decision to ground 20 Westland-30 helicopters was not taken by the Indian Government as reported, but was made by the aircraft operator Pawan Hans as a precaution following an incident on December 11 in which a Westland-30 made a heavy landing at Juhu Airport, Bombay. There were 15 passengers and two crew on board. One passenger sustained minor injuries.

There have been two previous incidents involving Westland-30 helicopters in India and not five as stated in the report.

Aquino set to take emergency powers

By Greg Hutchinson in Manila

PRESIDENT Corazon Aquino is expected today to acquire emergency powers as a result of the coup attempt of December 1 to 7. The delay has been caused by the slowness of her politically supportive but cumbersome Congress in enacting legislation that balances effectiveness with the safeguarding of civil liberties.

The two houses last night passed a compromise final bill. The law allows the president to order the seizure of firearms, take over public utilities and related businesses, fix prices, regulate power supply, and confiscate hoarded food.

She has also said she will come down hard on broadcast and print media airing rebel propaganda. Since the coup was launched the government has closed down three private radio stations for broadcasts supporting army rebels.

Civil rights groups and the rightist opposition have criticised Aquino for attempting to muzzle liberties.

ZIMBABWE'S President Robert Mugabe talking with President Kaunda of Zambia, to his left, and one of his senior ministers and former rival, Mr Joshua Nkomo, at the opening of an important conference of the ruling Zanu-PF party in Harare yesterday.

Mr Mugabe has re-dedicated Zanu-PF to establishing a one-party Marxist-Leninist state, and in doing so, has made it quite clear who his ideological friends are, Julian Borger reports from Harare.

Welcoming foreign delegations to the congress, which will oversee the merger of Zanu with its principal political rival, Zapu, Mr Mugabe appeared to list the delegations in order of preference of their political systems. In what is being interpreted as a gauntlet thrown down to those within the party who would prefer to water down its socialist agenda, North Korea came top of the list. Mr Mugabe now seems to be consciously aligning his party and his Government with what he sees as a last bastion of true socialism.

Hardline Marxist regimes such as China, Cuba, Angola, and Ethiopia were ranked far above the Soviet Union, Yugoslavia and Poland, who received far less effusive greetings.

The belief of the Zanu-PF leadership is that recent events in Eastern Europe are a temporary aberration which will soon be reversed.

Israel's privatisation plans suffer setback

By Hugh Carnegy in Jerusalem

The Israeli Government's privatisation programme was thrown abruptly out of gear yesterday when the Knesset finance committee, which has a veto on sales of public companies, voted overwhelmingly against the Finance Ministry's plan to sell a controlling stake in Israel Chemicals Ltd (ICL) to a private investor.

The Finance Ministry has been in negotiation with 10 foreign concerns – ranging from international chemical companies to Mr Robert Maxwell, the British publisher – over its intended sale of a 50 per cent share in ICL, widely regarded as the most saleable government company and reckoned to have a total value of $800m.

Senior officials were furious that their intention to complete the placement by April next year had effectively been been overturned. The sale was to have marked the most significant step yet in the so far slow-moving privatisation process, opening the way for the sale of other big state companies such as the airline El Al, the state oil refineries and the telecommunications and electrical utilities.

The Knesset finance committee, which has to approve all privatisation issues, voted by 22-4 against the ministry's approach, ruling that the state should not relinquish control of ICL – it specifically rejected a "golden share" as inadequate – because of its role as exploiter of Israel's chief natural resource, potash, and its importance to the economy as a whole. ICL last year reported pre-tax profits of $74m on turnover of $1.08bn and employs 6,000 people.

The committee's stance was bolstered by statements by Mr Ariel Sharon, the Industry Minister, and Prof Michael Bruno, the Governor of the Bank of Israel. Mr Sharon, backing away from his previous support, said this week the issue should be reconsidered, and Mr Bruno also came out against passing control of ICL to a foreign investor.

Finance Ministry officials said the decision had shattered the credibility of the Government in the eyes of investors after the previous successful disposal of the Paz oil distribution company and JEC, a property company.

Jordan advances reform by lifting martial law

By Lamis Andoni in Amman

IN ITS most dramatic break with the past, the new Jordanian Government of Mr Mudar Badran announced yesterday that it will lift martial law, which has been in force for more than 22 years.

Although the restrictions – imposed after the 1967 Arab-Israeli war – were infrequently invoked, their existence curtailed the authority of the judiciary and opened the door for civil rights abuses by the security forces.

Mr Badran, who made the announcement when outlining his political programme before Parliament, said martial law was frozen pending a complete abolition of all laws and regulations associated with it. The move was hailed here as a revival of the liberal Constitution adopted in 1953.

The Government had already taken a series of liberalising measures, effectively suspending the functions of martial law in the most vital areas of Jordanian life. It has also reversed government control of the press implemented under Mr Zaid Rifai, the previous Prime Minister, and restored full powers to the Supreme Court.

More importantly, the authorities have decided to return seized passports, and to lift the ban on travel and work which had been imposed on many political activists and government critics.

Mr Badran, who served as Prime Minister twice between 1976 and 1984, has also moved to win the support of the Islamic fundamentalists, who hold the largest bloc of seats in Parliament, by proposing the annulment of laws stipulating that preachers in mosques be appointed by the Government.

Mandela increases contacts

By Patti Waldmeir in Johannesburg

MR NELSON Mandela, the jailed leader of the African National Congress (ANC), has held talks with black political leaders at his prison bungalow in the Cape, in preparation for eventual negotiations with Pretoria over the country's future.

Mr Mandela has consulted both internal black leaders and members of the Government with increasing frequency in recent weeks, as speculation mounts that his release from prison is imminent.

Yesterday the British ambassador, Sir Robin Renwick, raised the issue of Mr Mandela's release in a meeting with the South African Foreign Minister, Mr Pik Botha. Diplomats said London continued to press for Mr Mandela's freedom, but newspaper reports that Mrs Thatcher had made a special plea for a release before Christmas.

Mr Mandela is widely expected to leave prison early in the New Year, although the gesture of a pre-Christmas release might appeal to the publicity-conscious Mr F. W. de Klerk, the South African President, who last week met the ANC leader for the first time.

In the five days since his meeting with Mr de Klerk, Mr Mandela has seen a leading black churchman – the Rev Frank Chikane of the South African Council of Churches – and five members of the country's largest trade union federation, the Congress of South African Trade Unions (Cosatu).

The latter group, which held six hours of talks with the ANC leader yesterday, included Mr Cyril Ramaphosa, widely viewed as the most powerful figure in the internal opposition. After the meeting Mr Sydney Mafumadi, a member of the delegation, denied that Mr Mandela's recent meetings with ministers constituted negotiations.

He said the ANC leader's aim was to understand the plans of the ruling National Party, and to convey this information to his movement.

Philippines granted loans and release of IMF funds

By Greg Hutchinson

THE International Monetary Fund is expected to release $264m early next year to help finance the Philippines' debt buy-back programme, senior Finance Department officials said.

The news coincides with an announcement that the Philippines and the Asian Development Bank (ADB) have signed three loan agreements worth $322m to finance government power, water supply and environmental management projects.

The IMF funds represent the second, third and fourth tranches of the $528m extended fund facility and is meant to partially meet the repurchase of $1.312bn of outstanding public sector debt, under an agreement signed with commercial banks in September.

The Import-Export Bank of Japan and the US Economic Support Fund are also expected to help fund the programme, which was finalised on November 29 and involves the purchase, at 50 cents in the dollar, of loans incurred by the Government and state bodies. The country needs to raise about $656m for the programme.

Meanwhile, the ADB soft loans include a $160m facility to support the construction of geothermal and other power plants, a water sector loan worth $130m, and a $32m upland communities loan.

Swapo casts around for credible economic policy

Patti Waldmeir analyses whether Namibia can avoid post-independence mistakes of the rest of Africa

The South West Africa People's Organisation (Swapo), the winner of last month's pre-independence elections in Namibia, declared in its election manifesto: "Swapo does not conceal its belief in the moral superiority of socialism over capitalism."

But now is scarcely the moment in history to be proclaiming the virtues of socialism – especially in Africa, where socialist policies have signally failed to create "morally superior" societies, leaving a legacy of economic decline which is scarcely an inspiration for Namibia.

So Swapo has toned down the Marxist rhetoric of its first 20 years as a liberation movement, and prefers now to preach the merits of "social responsibility" rather than "socialism".

Speaking at his first press conference after Swapo gained a majority in the 72-member constituent assembly last month, Mr Sam Nujoma, the Swapo leader, committed his party firmly to a "mixed economy" and said he welcomed foreign investment in Namibia.

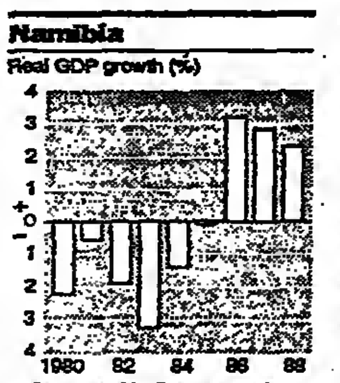
Swapo officials say they wish to avoid the economic mistakes of other post-colonial African countries: the large-scale nationalisation of assets is offered as an example. Top officials spent many years in exile in Angola, Zambia and Tanzania – where socialism was tried, and failed – giving them first-hand experience of the system's shortcomings.

But neither are they persuaded of the virtues of capitalism: "The failures are there, whether they (African countries) opted for socialism or capitalism: there is as much corruption in (capitalist) Ivory Coast and Malawi as in (Marxist) Ethiopia," says Mr Theo-Ben Gurirab, Swapo's secretary for foreign affairs.

Mr Gurirab says Namibia must elaborate a system suited to its own needs; but it is far from clear yet what kind of a system that would be. Swapo officials say they are still studying various aspects of the Namibian economy, and will announce detailed policies later.

This evidence of flexibility is welcomed by local businessmen. They are pleased that Swapo has said it will join the International Monetary Fund (IMF) – which sent a delegation to Windhoek just before the elections – and welcome the fact that Swapo officials are looking at the newly industrialised countries of the Far East as models. A Swapo delegation recently visited Malaysia to study its investment code.

Swapo officials stress their desire to co-operate with the business community in Namibia, which is dominated by Consolidated Diamond Mines, a De Beers subsidiary, and Rossing Uranium, controlled by RTZ. Senior members of the Swapo executive have already held talks with both companies.



But those who believe that Swapo's commitment to socialism remains intact despite recent rhetorical amendments need look no further than the party's election manifesto.

The manifesto speaks of bringing about a "change in ownership patterns" to redress a legacy of "denial, exclusion and exploitation".

It says the state must own "a significant part of the country's economic resources" and promises land redistribution to correct the effects of the colonial policy of racially-based land allocation.

But the manifesto also foresees no large-scale nationalisation of mines or farms, and speaks of establishing a balance between "just economic returns for the Namibian people and reasonable profits for ... investors".

Swapo is known to be considering increasing taxes paid by the mining houses.

But taxes of one form and another already absorb 70 per cent of CDM's profits; and Mr Andreas Guibeb, a member of Swapo's five-man economics team, says: "You can't raise taxes while also expecting mining companies to shoulder their social responsibilities in terms of employment creation."

Mr Guibeb says the need to create jobs for Namibia's estimated 1.5m population – more than 40 per cent of the labour force is currently unemployed – is also behind Swapo's policy of land redistribution.

Mr Gurirab puts the point more forcefully: "The struggle was not just about freedom. It was about land and wealth. Ninety per cent of Namibia's people live on just 15 per cent of the land. Whites recognise that that is unjust." However, the experience of Zimbabwe, which has resettled only a fraction of families identified for resettlement at independence 10 years ago, has proved a sobering one for Swapo.

Even if Swapo could persuade donors to provide aid funds for land redistribution – which is far from certain – the sums involved would be enormous. Mr Gurirab says Swapo is not rushing into a land reform programme; but eventually it hopes to buy out absentee landlords, and some of those with more than one farm.

Eventually, too, it aims to reduce dependence on South Africa: at present some 90 per cent of Namibian imports come from, or through, South Africa. But with Namibia's only trading port, Walvis Bay, controlled by South Africa, such dependence must continue well into the future.

Namibia is also likely to remain a member of the Southern African Customs Union – which this year contributed R450m (£109m) to government revenues – though Swapo will try to renegotiate the terms of its participation.

But Swapo may well opt to leave the rand monetary union, and create its own currency, though linking the currency to the rand remains an option.

Ironically, both Swapo officials and those in the colonial administration agree that Namibia has the potential to become an African success story – despite the loss of direct South African budget aid of R300m in 1988/89 and R80m in 1989/90.

It has superb infrastructure, a larger number of graduates than post-independence Zambia or Botswana, and a store of international goodwill which should translate into substantial aid funding.

But donors may wish to keep a close eye on how aid funds are spent, given Swapo's past record: for years, the United Nations paid Swapo to support 80,000 refugees of the war with South Africa; but when peace was declared only half that number returned to Namibia, and Swapo has failed to explain the discrepancy.

And aid funds alone cannot guarantee the 5 per cent economic growth which Namibia will need to keep pace with its 3 per cent population growth rate. That can only be assured if Swapo can avoid the policy mistakes of the rest of the continent. With three decades of African disaster stories to learn from, that ought not to be impossible.

AMERICAN NEWS

Consumer prices rise 0.4% despite static inflation

By Anthony Harris in Washington

US CONSUMER PRICES rose 0.4 per cent in November, leaving the inflation rate for the year unchanged at 4.6 per cent.

Half the most recent increase, however, was related to the record-breaking cold spell over most of the US, which has driven up the prices of fresh foods and heating fuels.

The figure is therefore unlikely to cause undue concern for the Federal Reserve open market committee, which is in session today.

Mr Alan Greenspan, The Fed chairman, has stressed in past Congressional evidence that he does not believe that monetary policy should react to price increases arising from natural causes.

The financial markets had been looking for a 0.3 per cent price increase. The other details of the index reveal little change in past trends, except in the very volatile clothing index, which rose only 0.1 per cent, after rising 2.7 per cent in the previous two months, and falling earlier in the year.

Health care costs, which are causing much concern in industry, continued their rapid inflation, with a 0.8 per cent rise in the month, maintaining an annual rate of nearly 10 per cent.

The Department of Commerce announced a 4.7 per cent fall in housing starts in November, to 1.36m, 13.1 per cent below the same month in 1988. Building permits were slightly lower at 1.33m, but the year-on-year fall, at 11.1 per cent was slightly lower. Starts had risen strongly by 13 per cent in October, and some relapse was expected.

Bush signs budget cutting $14.8bn from US deficit

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush yesterday signed the Budget legislation for the current fiscal year which cuts the Federal deficit by $14.8bn to within the statutory target.

The signing of the legislation yesterday also introduces a variety of tax changes affecting arbitrage profits and leveraged buy-outs.

The White House yesterday confirmed that the president was considering proposals to levy "user fees" of 1 to 2.5 per cent on recreational vehicles, off-road vehicles and other camping and outdoor equipment.

The money will be used to help fund a variety of environmental and recreational programmes. Such "user fees" are not regarded by the administration as new taxes within the Mr Bush's "no new tax es" pledge.

Security tightened on courts

US COURTS tightened security and the FBI warned black rights groups about possible attacks by white supremacists after a black politician was killed in the second mail-bombing in three days in America's Deep South, Reuter reports from Atlanta.

The Federal Bureau of Investigation yesterday said its agents found "strong similarities" between the bombs that killed black lawyer Robert Robinson on Monday in Savannah, Georgia, and federal judge Robert Vance, a white liberal who died on Saturday at his home near Birmingham, Alabama.

A third package bomb discovered in the mall at the Atlanta appeals court – to which Vance was appointed by ex-president Jimmy Carter 12 years ago – was removed and disarmed with no injuries.

US and Panamanian troops put on alert following shootings

TROOPS of the US Southern Command in Panama and of the Panamanian Defence Forces (PDF) have been placed on full alert after separate incidents in the past four days in which a US army officer was shot and killed and a Panamanian traffic policeman was injured, writes Tim Coone.

Tensions between the US and Panama have been compounded by the weekend nomination of Panama's strongman General Manuel Noriega as head of state.

He formally displaces Mr Francisco Rodriguez, his hand-picked, but largely cosmetic president, who was sworn into office just 10 weeks ago.

General Noriega now has virtually untrammelled powers in Panama, controlling the 515-member Popular Assembly which was appointed last September by General Noriega's Revolutionary Democratic Party (PRD), having purged the PDF following a nearly successful coup attempt in October, by controlling via the PRD the judiciary and now by formally taking control of the executive office of government.

The US Central Intelligence Agency(CIA) has pressed President Bush for fewer restrictions on covert operations following the failed October coup attempt, raising speculation that another US-backed attempt may shortly be made to forcibly depose General Noriega.

A further possible flash point is the appointment of a new administrator for the Panama Canal at the beginning of next month.

Under the 1977 Panama Canal Treaty, a Panamanian should take over the post and be nominated by the Panamanian government.

The final appointment however rests with the US President and Senate. General Noriega's candidate, Mr Adolfo Duque, has already been rejected by the US.

He is the cousin of Mr Carlos Duque, the PRD presidential candidate in the fraudulent elections of last May.

On the December 5 the White House announced that it has requested that the existing Deputy Administrator Mr Fernando Manfredo carry on as an acting administrator until "a legitimate Panamanian government exists and proposes its candidate."

Mr Manfredo was one of the Panamanian negotiators of the Panama Canal Treaty and is widely respected both in Panama and the US.

Mexican debt deal likely to be delayed

By Stephen Fidler, Euromarkets Correspondent

SIGNING of Mexico's new debt package by the country's commercial bank creditors appears likely to be delayed at least until late January as the deal continues to be beset by complications.

At the latest count, 400 banks representing some $47bn of the $48bn in medium and long-term loans covered by the transaction are said to have responded, bankers say.

But only about 9 per cent of banks, excluding Mexican lenders, have agreed to put up new money, meaning there will be a shortfall in the official support for the remaining two options in the programme.

Under these two options, banks swap their outstanding loans for bonds carrying either a fixed rate of interest or a 35 per cent discount to face value.

One of the last big bank creditors – Lloyds of the UK – has at last agreed to join the package, having decided to take the fixed-rate bonds.

Lloyds had once been considered a likely new lender and its decision not to make new loans will be regarded as disappointing by the deal's sponsors.

Ending the impasse between the agreement announced in principle in July and the likely completion date has worried some observers, and is partly down to the deal's complexity.

Important matters remain to be resolved: a bridging loan from the large bank creditors, which will serve to bring forward enhancements, has yet to be agreed among leading bank creditors, and it is not know yet how any shortfall in enhancements will be made up.

Blaize: turbulent career

Grenada's premier dies, aged 71

By Canute James in Kingston

MR Herbert Blaize, Prime Minister of Grenada, died yesterday, three months before he would have contested a general election that he was expected to lose.

No official cause of death was given, although the 71-year-old Prime Minister had long suffered from a prostate gland disorder for which he frequently travelled to the US for treatment. He had been confined to a wheelchair for the last three years.

Two weeks ago Mr Blaize, a conservative, launched a new political party after the disintegration of the New National party, a coalition he led to victory five years ago. This followed the 1983 US military invasion which toppled a junta that took over the Caribbean island of 105,000 people after murdering Mr Maurice Bishop, the Prime Minister, and half the cabinet.

Sir Paul Scoon, Grenada's governor general, was last night arranging to appoint a successor. Government officials said the choice could be Mr Keith Mitchell, leader of the opposition.

Mr Blaize had a turbulent political career, heading the Government on three occasions between 1960 and 1967.

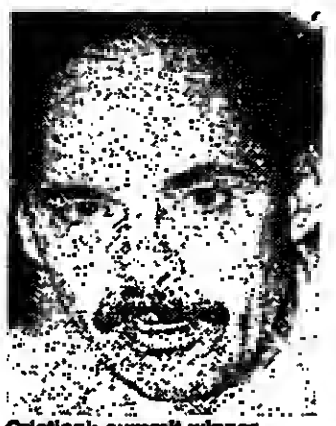
His return to office in 1984 was made possible by support from the US and neighbouring conservative Caribbean governments.

In recent months Mr Blaize stoutly refused to step down in the face of the break-up of the Government.

Central America takes a gamble

Tim Coone on the summit concessions made by the region's leaders

IF there was a winner in the recent Central American presidential summit, it was undoubtedly President Alfredo Cristiani of El Salvador.



Cristiani: summit winner

He returned home with an unequivocal statement of support from the region's other *four presidents, including* Mr Daniel Ortega, the left-wing president of Nicaragua.

The Farabundo Marti National Liberation Front (FMLN) in El Salvador was exhorted to end its guerrilla offensive, declare an end to hostilities, return to negotiations and demobilise forces.

The onus was thus placed upon the FMLN and not President Cristiani to end the 10-year civil war. The summit came down in favour of the negotiating terms offered by the Government and not by the FMLN.

In practice, the war is likely to continue given the FMLN's resilience, but the summit dealt a hard political blow to the guerrillas.

Their closest ally in the region, the Nicaraguan Government, has now publicly distanced itself from them. Nicaragua cannot be caught again supplying arms to the FMLN or acquiescing in the use of its territory as an FMLN logistics base, or the Central American peace accords are liable to collapse. This will limit the FMLN's room for manoeuvre.

How was this achieved, when, just a fortnight before, El Salvador had broken relations with Nicaragua over the latter's alleged supply of munitions and weapons to the FMLN for its November offensive?

Nicaragua's overriding concern is to eliminate its own guerrilla enemy, the 12,000-strong Contra army in Honduras, before next February's general elections.

In principal, the agreements reached at this latest summit can achieve that.

By ruling that all funds including those approved by the US Congress for the Contras *must now be channelled* via the UN and used exclusively for the Contras' demobilisation, repatriation or relocation in third countries, the umbilical cord which has guaranteed the Contras' military and political survival is finally being cut.

For that concession by the other presidents, and especially Honduras, Nicaragua was prepared to sign an agreement which weakens the FMLN.

The problem continues, however, to be one of compliance.

The US Government has announced it will respect the agreement on channelling food, medicines and other materials to the Contras via the UN.

Finance, though, will continue to go directly to the Nicaraguan rebels. Honduras is thus obliged to seal off the base camps of the Contras, (many have scattered to smaller camps along the Nicaraguan frontier) to block aid which could maintain them on Honduran territory.

The ambiguous attitude of Honduras to the rebels, and a new government coming to office there in January, raises doubts as to whether the Honduran armed forces will be willing or able to implement their part of the agreement.

Nicaragua's only guarantee of Honduran compliance is its litigation proceedings against Honduras in the International Court of Justice at The Hague. The two sides have now given each other six months to come to an extra-judicial agreement. This gives Honduras the possibility to procrastinate until after the Nicaraguan elections, to await their result and then decide what to do.

This is the least favourable outcome for Nicaragua. If a Sandinista electoral victory were to be challenged, the Contras would continue to be an opposition bargaining chip.

In such circumstances, it would not be inconceivable for Nicaragua to continue turning a blind eye to small aircraft ferrying arms from its territory to the FMLN in El Salvador.

Poll gives Sandinistas lead in Nicaragua

By Tim Coone in Managua

THE latest independent opinion poll in Nicaragua on voting intentions for next February's general elections, gives the ruling Sandinistas a 17-point lead over the US-backed opposition alliance UNO.

The survey was carried out at the beginning of this month by the Washington-based Greenberg-Lake Analysis Group. The results have just been released in Managua and show the Sandinistas leading with 44 per cent, UNO trailing with 27 per cent, nine smaller parties gathering only 6 per cent between them, while 23 per cent are still undecided.

According to Dr Stanley Greenberg, the president of Greenberg-Lake, support for the Sandinistas is holding very firm, while up to a third of potential UNO voters could shift their vote to another presidential candidate.

Ending the war in the country is the "most important problem for the new president to work on" for 47 per cent of the people surveyed.

WORLD TRADE NEWS

EC bid to wrest back initiative in farm talks

By Tim Dickson in Brussels

MR GUY Legras, the European Community's top farm policy civil servant, will this morning attempt to wrest back the initiative on agriculture in the international trade talks known as the Uruguay Round.

In a major speech to members of the General Agreement on Tariffs and Trade (Gatt) in Geneva, Mr Legras will formally unveil the EC's latest Global Negotiation Proposal agreed by Foreign Ministers of the Twelve in Brussels early yesterday.

Already widely leaked, the framework paper flatly rejects the US call for a virtual elimination of farm subsidies by the end of the century, in favour of a gradual though unspecified reduction over five years – but it offers what Brussels considers a significant concession on "tariffication", the buzzword for turning variable supports into fixed tariffs, making them more transparent.

Senior EC officials insist that their latest ideas for reforming agricultural trade are both positive and realistic. But they want the rest of the world to be clear that there are some principles from which Brussels will not budge.

One of these is the Community's fundamental right to regulate prices and maintain the dual pricing system which protects Community farmers from the vagaries of the global market place.

"Even the most liberal countries have to be sensitive to the need to keep these mechanisms so as to avoid disorderly conditions," one official said. "A situation where producers have to cope with a wheat price of $60 a tonne one moment and $160 a tonne the next, is unacceptable".

For this reason, the EC rejects solutions which envisage pure "tariffication" or the full "de-coupling" of agricultural subsidies from price support.

The EC paper contains three major ideas. The least novel is its adherence to the so-called Support Measurement Unit as an aggregate measure of support covering all direct and indirect subsidies. Brussels believes this is justified on economic grounds and to ensure a "balanced" outcome to the negotiations.

Next, there is the "first stage" commitment to reduce subsidies over five years, to be reviewed after four years in the light of world market developments.

The precise figure would not be fixed until the final stages of the negotiations, but officials give no clue at this stage about what they have in mind. "We want to go down to the point where world markets are in balance," said one,adding that much depended on overall demand and population growth over the next few years.

Figures of 10-15 per cent cited in the French press are firmly denied. It is pointed out that these are the commitments made by the EC for respectively reducing crop and animal product prices over the period 1986 to 1990.

Finally, there is tariffication and the Community's first formal acknowledgement that it is prepared to embrace this concept. Officials make clear that there is no question of total tariffication, and that Community import tariffs will continue to have a variable element reflecting currency and other distortions on world markets.

As a *quid pro quo*, moreover, they insist on the right to "rebalance" agricultural protection in those sectors where it is weak. Brussels says this would be in the interests of other Gatt countries, and cites the example of cereals, consumption of which in the EC as animal feed is undermined by imported grain substitutes, thereby swelling the cereals surpluses exported to world markets.

Another key EC tactic in this regard is to force the US to throw its direct income supports (known as deficiency payments) into the "tariffication" pool.

Neatly turning adversity to his advantage, one official points out that the soon-to-be-announced Gatt panel criticising the EC's oilseeds payments as "completely protected from the world market" could be equally applied to the US system of deficiency payments.

Japanese respond to Miti advice on imports

By Stefan Wagstyl in Tokyo

THREE of Japan's largest electronics companies have announced plans to boost imports in a bid to alleviate foreign criticism of the country's trade surplus.

They have responded to pressure from the Ministry of International Trade and Industry (Miti) which approached about 50 of the biggest exporters to request them to increase foreign purchases.

Miti has carried out its campaign amid concern that the steady decline in Japan's surplus might not continue much longer. Toyota and Nissan and other carmakers were among the first to announce import-enhancement programmes. They have been joined by Matsushita Electric, Toshiba and Mitsubishi Electric.

Toshiba made the most forthright pledge, saying that by 1993 it would freeze exports at below the 1988 level of Y896bn (£3.8bn) *and double* imports to about Y200bn. It would also boost output from foreign subsidiaries and raise imports from them to Japan. Matsushita said it was doubling imports from Y200bn to Y400bn by 1993. Mitsubishi pledged to increase imports.

Toyota has said that in the 1992 financial year, imports would total Y300bn, 158 per cent more than in 1988. Nissan intends to double imports by 1992. By the late 1990s it plans to reduce the ratio of exports to total domestic production to 30 per cent from 60 per cent in 1988.

Miti's move was seen by some companies as an attempt to re-assert its authority, taking advantage of trade friction *to re-establish the power of* "administrative guidance". One electronics company executive said that while the ministry had not formally issued instructions, informally it had.

A Miti official denied pressure on companies. The ministry had only encouraged them to follow its advice. "In principle, we believe in the market mechanism. But when we see imperfections there, we feel we should intervene," the official said. He denied the ministry was moving towards managing trade. Companies were free to choose if they followed Miti advice, or not.

Europe groups fight to win Taipei rail orders

Companies fear the US will be given preferential treatment, **John Elliott** writes

EUROPEAN companies have launched a campaign to stop the US being given preferential treatment by Taiwan for railway equipment contracts on an 85km, NT$400bn rapid transit system being built Taipei during the next 10 years.

Matra of France is the only European company to have obtained a major equipment order (worth NT$8bn) on the first NT$96bn stage of the project, although Cable and Wireless of the UK has a NT$700m order for communications systems. GEC and Balfour Beatty are among British companies competing for large orders.

The rail network is intended to ease Taipei's chronic traffic congestion after years of planning delays. It is one of a series of huge infrastructure projects planned by the government which could involve expenditure of NT$2trillion (million million) by the year 2000 on traffic projects alone. Five other metropolitan rail systems are being considered.

The start of construction in Tapei, *however*, is up to one year behind schedule, partly because of problems involved in acquiring land and consequential layout changes. Delays have also been caused by international civil engineering contractors refusing to tender for construction of a NT$1.5-NT$2bn elevated section because there is a serious shortage of labour.

The government is anxious to attract foreign bidders because it wants Taiwan to acquire new technology. To facilitate technology transfer, local partners have to be involved in most contracts.

Two main rapid transit lines are planned, totalling about 60km, plus branches. Designed with heavy steel rails and wheels similar to the Hong Kong and Singapore systems, they would involve lengths underground and on the surface as well as elevated sections. There is also a 20km elevated light rail system.

The first stage involves 23km of rapid transit on part of what is called the Tamshui line, northwards from the city centre, plus the main part the light rail system called the Mucha line.

Matra'e NT$8bn order, won last July, was seen as a significant breakthrough by European companies against the US which is trying to secure lucrative equipment contracts as part of its attempts to force Taiwan to reduce its bilateral trade surplus. Last year the surplus exceeded $10bn.

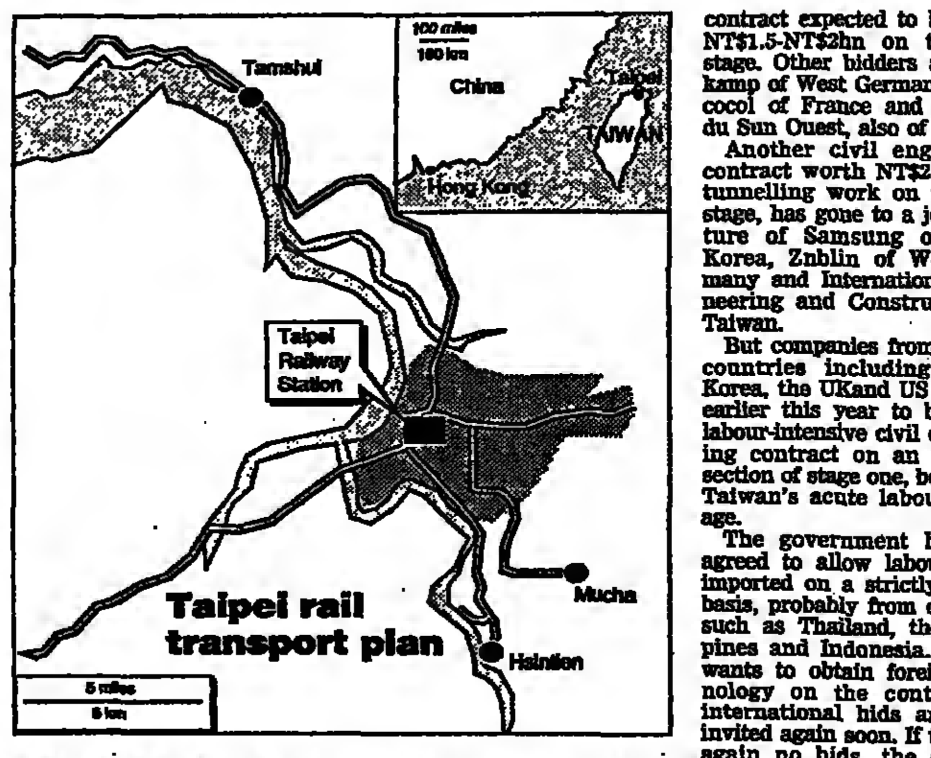
Matra won a turnkey contract covering all electrical and mechanical work on the Mucha line. Its competitors included Westinghouse of the US, GEC of the UK, and Hitachi and Mitsubishi of Japan.

The main controversy has centred on the Tamshui line where the government forced its Department of Rapid Transit Systems to restrict contracts for rolling stock and signalling to US companies. But prices initially submitted by three US groups for rolling stock were well above estimates and ranged up to around NT$6bn.

Eventually, at the end of September after some design changes, a NT$4.4bn order for 132 railcars went indirectly to Japan as well as the US through a joint venture called United Rail Car of the US which includes branches of Kawasaki Rolling Stock and Nissho Iwai. Four sets of railcars are to be made in Taiwan to assist technology transfer.

Bids from US companies for signalling work that will cost over NT$2bn are now being considered.

Following pressure from European companies, bids to be called next year for rolling stock costing NT$4hn-NT$5bn on the second stage of the system will be submitted by European companies, including GEC-Alsthom's Metro Cammell, as well as by the US.



GEC is also chasing a contract worth approaching NT$3hn for power supply installations at 33 stations. Its competitors inclnde Brown Boveri of Sweden, and AEG and possibly Siemens of West Germany.

Balfour Beatty's Henry Boot subsidiary is bidding in a consortium with Gammon Construction of Hong Kong and a local partner for a track work contract expected to be worth NT$1.5-NT$2hn on the first stage. Other bidders are Heitkamp of West Germany, Montcocol of France and Travaux du Sun Ouest, also of France.

Another civil engineering contract worth NT$2.6bn, for tunnelling work on the first stage, has gone to a joint venture of Samsung of South Korea, Znblin of West Germany and International Engineering and Construction of Taiwan.

But companies from various countries including Japan, Korea, the UKand US declined earlier this year to bid for a labour-intensive civil engineering contract on an elevated section of stage one, because of Taiwan's acute labour shortage.

The government has now agreed to allow labour to be imported on a strictly limited basis, probably from countries such as Thailand, the Philippines and Indonesia. Taiwan wants to obtain foreign technology on the contract, so international bids are to be invited again soon. If there are again no bids, the contract might be split into smaller packages for local civil engineering contractors.

The entire project is being financed by the government with no borrowings, according to Mr Benjamin Chi, director-general of the Rapid Transit Department.

Taiwan's central government *is providing* 50 per cent of the funds. The rest is coming from the city and provincial governments which will jointly own and operate the system through a public sector operating company.

Mitsubishi to spread EC investments

By James Buxton, Scottish Correspondent

THE decision of Mitsubishi Electric, the Japanese electronic and engineering company, to locate a semiconductor manufacturing plant in West Germany as opposed to other locations is due to the company's desire to spread its major investments in the EC.

The company's decision last week to invest $284m in a plant making semiconductors at Alsdorf near Aachen has dismayed other countries which had hoped to win the plant, including Scotland, where Mitsubishi already has two assembly plants.

Mitsubishi is understood to wish to achieve a "corporate balance" in its activities in the EC. Miti, the Japanese trade and industry ministry, wants Japanese companies to spread their investments widely in the *EC in view of tha sensitivity of* the issue of Japanese competition in the EC.

The UK has about 25 per cent of all Japanese investment in the EC and had to fight hard on behalf of the Japanese car manufacturer Nissan against other EC restrictions on Japanese car imports.

Tha Mitsubishi plant is for the integrated manufacturing of semiconductors including volume production of 4 megabit Dram (dynamic random access memory) chips.

The plant, which like other semiconductor plants involves substantial capital investment, will cover 172,000 square feet. It will begin operating by the end of 1991 and employ 310 people by 1995.

Community agrees to talk to Gulf states on trade

THE European Community yesterday agreed a mandate for negotiations on a free trade agreement with Arab states in the Gulf to supplement a preliminary trade and co-operation pact signed last year, Reuter reports from Brussels.

The six member states of the Gulf Cooperation Council (GCC) have been urging the Community to lift tariffs on their petrochemical, refined and aluminium products to help narrow a trade deficit that totalled $4.4bn last year.

Under the free trade agreement, whose mandate was approved by EC foreign ministers at a meeting here, the 12-nation Community would scrap all customs duties on Gulf imports except those applied to designated sensitive products.

The GCC, for its part, would phase out customs duties over 10 years with the exception of those covered by special safeguard arrangements.

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Outhwaite faces writ over loss of £304m

By Patrick Cockburn

SOME 614 members of the Lloyd's of London insurance market yesterday started the largest single legal action ever brought by Lloyd's members over the loss of £304m by the troubled Lloyd's underwriter R.H.M. Outhwaite.

The members say the Outhwaite agency, and the 81 members' agents who introduced them to it, were negligent in issuing contracts to other Lloyd's syndicates in 1981 and 1982 making the members liable for heavy losses from asbestos and pollution claims in the US.

As these claims have escalated over the past three years the 1,614 Lloyd's members, or Names, who were members of Outhwaite syndicate 317/661 in 1982 have already had to pay £94m and are likely to face further heavy losses.

The list of members of the syndicate bringing the action includes many well known names such as Mr Edward Heath, the former Prime Minister, Mr Patrick Sheehy, chairman of BAT Industries, Mr John Ritblat, chairman British Land, Mr Robert Maxwell, chairman of the Mirror Group and Lord Weidenfeld, the publisher.

Membership of Lloyd's was especially popular among wealthy individuals in the late 1970s and early 1980s and they include Mr Tony Jacklin, the golfer, Miss Virginia Wade, the former Wimbledon tennis champion, as well as insurance professionals such as Mr Ray Pettitt, chairman of Minet, the insurance brokers.

Losses for individuals will vary depending on the size of their financial commitment but a member 317/661 in 1982 with a commitment of £30,000 will have made a loss of £130,000 so far. One family with four members on the syndicate has lost £900,000.

Mr Peter Nutting, chairman of the committee of Outhwaite Names, said yesterday that they had no alternative but to issue the writs alleging negligence and wreckless underwriting. He accused Lloyd's and Mr Murray Lawrence, its chairman, of failing to arrange a settlement of the affair and adopting an attitude of "pay up or shut up".

Lloyd's itself says it is in the early stages of assessing the feasibility of providing a general insurance vehicle to meet the liabilities. Mr Lawrence wrote to the Outhwaite names in September asking them not to resort to litigation in order to give Mr Mark Littman, QC, the Lloyd's appointed conciliator, a chance to arbitrate. Mr Nutting said that the case brought by the Names was simply that Mr Richard Outhwaite was negligent in 1981, and 1982, when he agreed some 40 contracts with other Lloyd's syndicates under which his syndicate 317/661 assumed their liabilities in the US.

Mr Nutting said that Mr Outhwaite, a marine underwriter, had admitted not inquiring about the potential insurance losses from asbestos from a Lloyd's working party on the subject in 1981-82. He emphasised, however, that the centre of the case against Mr Outhwaite was that the so-called run-off contracts were all similar risks and if one went wrong then all would be similarly affected.

These losses so far total £304m, of which £135m is covered by reinsurance, leaving Names to pay £169m, some £94m of which has already been paid in cash by syndicate members. Another £76m is covered by a letter of credit until next summer but will then have to be paid by the names.

R.H.M Outhwaite said yesterday: "We have read the writ, which although inconsistent in many ways with the Names' counsels opinion, contains nothing unexpected." A spokesman added that they had a full defence against all allegations.

COLLAPSE OF BARLOW CLOWES

Responsibility clouded by rotation of DTI officials

By Richard Waters

WHILE apportioning blame for the Barlow Clowes collapse, the Ombudsman's report – like that of Sir Godfray Le Quesne before it – does not name those at the DTI who were responsible for handling the case.

These are understood to have included Mr Roger Louth, the grade seven principal who directly oversaw the licensing unit; Mr Brian Hilton, who as under-secretary in charge of the Financial Services Division was ultimately responsible for the Department's licensing function under the Prevention of Fraud (Investments) Act; and Mr Colin Lowry, an assistant secretary in the division.

It remains impossible to assess the part played by each in the affair. These officials would not have been involved throughout the period 1983-88, when the DTI considered and finally licensed Barlow Clowes, and would certainly not have been involved in the initial contact with the investment group in the mid-1970s: the DTI's policy is to move officials roughly every three years, meaning that none would have been involved in the case for longer than this.

However, the three officials are believed to have been instrumental in most of the important decisions in the Clowes case.

The DTI's licensing operations began to creak noticeably as the 1980s progressed, according to an internal audit carried out in 1986. At that time, it was found to lack specialist or trained staff, and needed a "significant resource input" and closer relationships with consultants and the market.

Little was done, since the unit had only a year to run until its functions were taken over by other agencies as a result of the Financial Services Act.

The unit's weakness was founded on its reliance on general administrators who were generally seconded to the job for three years. According to yesterday's Ombudsman's report, the unit was "small in number and its members had no special skills or training."

It also appears to have been severely understaffed: between 1980 and 1984 its activities expanded threefold, while its staff grew from four to seven (increased to nine in 1985).

This has to be set against a 20 per cent overall reduction in staff numbers in the department over the period.

At its peak the licensing unit, under Mr Lowry, employed five executives and four clerks. An indication of the extent of the understaffing is provided by a comparison with the Stock Exchange's surveillance activities at the time. In 1985, the Exchange had 16 inspectors responsible for around 240 firms.

The licensing unit's nine staff were responsible for 700 firms and "a much larger number of representatives."

In addition, the DTI had no specific powers of investigation other than the general powers available under the Companies Act. The fact that Barlow Clowes until 1985 operated as a partnership was just one of the difficulties experienced by the Department.

Peter Clowes 'delighted' at the news

By Richard Donkin

MR PETER CLOWES was, according to his solicitor, "absolutely delighted" yesterday to hear that Barlow Clowes investors would be compensated.

"He has all along been very concerned, irrespective of what people have said about him, about the plight of the investors," said Mr Ian Burton, his solicitor. Mr Clowes said to be away yesterday from his cottage in Whitely Green, Wilmslow, Cheshire, the home owned by his wife, Pamela. They moved there from their previous residence in Poignton, one of the most exclusive villages in the north-west. It was at the Poignton house that he was arrested by police as he went out to collect his morning newspapers in June 1988.

He is still trying, through court action, to have the £1,000 a week he received until June this year restored after the payments were stopped by the joint liquidators. Mr Clowes, who faces charges of theft and of perverting the course of justice, is on £300,000 bail, having assigned £25m assets over to the liquidators.

Seasonal goodwill helps government

By Ralph Atkins

A SEASONAL burst of goodwill to all Barlow Clowes investors and of being nicer-than-normal to Mr Nicholas Ridley, Trade Secretary, broke out in the House of Commons yesterday.

MPs were unanimous in welcoming generous payouts. The air of sweetness was spoilt only by accusative snowballs from the Labour opposition.

Mr Ridley made an unlikely Santa Claus. But Mr Stephen Day, Conservative MP for Cheadle and leading campaigner on behalf of investors, said that for them the announcement was "the most wonderful Christmas present that they have ever received."

The Government's soft ride was helped by timing. MPs received copies of the 170-page report less than half an hour before Mr Ridley's statement.

Mr Gordon Brown, Labour's trade spokesman, launched a condemnation of the "clear and unmistakable evidence" of five counts of maladministration.

He complained of "fecklessness, gullibility and incompetence" by a Government which had ignored warnings of Barlow Clowes' instability.

British Rail's state subsidy cut in criticised new business plan

By Kevin Brown, Transport Correspondent

British Rail's subsidy is to be cut by 31 per cent to £345m ($552m) over the next three years, Mr Cecil Parkinson, the Transport Secretary, announced yesterday.

The cut follows a reduction in real terms of more than 50 per cent since 1983, and confirms that BR will continue to be the least subsidised railway in Europe.

Mr Parkinson said Network SouthEast, the BR sector which operates London commuter services, will lose all its £90m subsidy by 1992-93, and must make a profit from 1995.

In addition, the InterCity, Freight and Parcels sectors must increase their joint profits to £154m from £32m last year, and the loss-making Provincial passenger sector must cut its grant requirement to from £400m to £345m.

Mr Parkinson told the Commons the cut in subsidy, known as the Public Service Operating grant, would not lead to big fare increases. However, the announcement was immediately attacked by Labour and the rail unions.

Mr John Prescott, the shadow Transport spokesman, said Mr Parkinson was continuing the "disastrous penny-pinching approach" that the Government had adopted to BR since 1979.

"Passengers are fed up with paying the highest fares in Europe for a dirty, overcrowded, unreliable service," he said. "These latest cuts will mean higher fares and an even poorer quality of service."

Mr Jimmy Knapp, general secretary of the National Union of Railwaymen, said: "Another cut in the PSO means a major increase in fares, an increase in road traffic and congestion, and threatens essential safety measures like new signalling."

Mr Parkinson's plans for BR were amplified in the corporation's business plan, published after his statement, which shows that investment will total £5bn over the next five years.

Sir Robert Reid, BR chairman, said the plan was "ambitious," but could be fulfilled. "I believe that customers, in the next decade, will be able to enjoy a higher quality of service from a greatly improved railway system at a lower cost to the taxpayer," he said.

However, the plan assumes continuing real growth in the economy of around 2 per cent a year, and a substantial increase in demand for rail services – around 4 per cent a year on Network SouthEast.

Sir Robert said there were "many risks" in forecasting five years ahead, and warned that slower economic growth might mean the Government's objectives could not be met.

Warships contract goes to Tyneside

By David White and Ian Hamilton Fazey

SWAN HUNTER Shipbuilders, the Tyneside yard, has won its way back into the Government's warship construction programme by clinching a batch order for three Type 23 anti-submarine frigates.

The order is reckoned to be worth more than £300m ($480m). It was won against strong competition from Yarrow of Glasgow and Cammell Laird of Birkenhead, part of the VSEL group.

It is expected to sustain about 10,000 jobs over the next four or five years, including supply of weapons and equipment, and to secure the immediate future of Swan Hunter's 2,800-strong workforce.

Mr Peter Veughan, a main director of Swan Hunter, which was privatised via a management buyout in early 1986, said it was "a vote of confidence" which the yard intended to use to regain its place in export markets and bid for other British warships. Since privatisation the yard, trying to win back credibility, has cut its workforce by 1,700.

All but one of the previous seven Type 23 orders went to Yarrow, a subsidiary of the General Electric Company. Mr Michael Neubert, junior defence procurement minister, announcing the order in the Commons yesterday, said it was won "fairly and squarely on commercial terms."

Officials said that if the order had gone to Yarrow it would have effectively removed competition for the current generation of frigates. This was not a factor in the contract decision, they said.

The first Type 23, the Yarrow-built HMS Norfolk, was recently accepted into the Royal Navy after trials. Swan Hunter is building the second of the class, HMS Marlborough, its sole previous order.

UK hopes of slowing EMU raised

By Peter Norman, Economics Correspondent

THE GROUNDWORK for next year's intergovernmental conference on European economic and monetary union has been put in the hands of a high-level committee of finance ministry and central bank officials, raising British hopes of slowing the drive towards a single European currency and central bank.

The EC's monetary committee was charged with preparing the conference by economics and finance ministers in Brussels on Monday.

The committee comprises senior finance ministry and central bank officials from the member states some of whom are sceptical about the Delors proposals for moving towards a single European currency and central bank.

The committee is therefore expected to subject the ideas for economic and monetary union to rigorous scrutiny. The alternativa would have been for the conference to be prepared by officials from member states' foreign ministries, many of which sympathise with the idea of a federal Europe.

The monetary committee meets without fanfare virtually every month. The EC summit in Strasbourg agreed ealier this month that the IGC should start before the end of 1990.

Conservationists lose City building case

By Raymond Hughes, Law Courts Correspondent

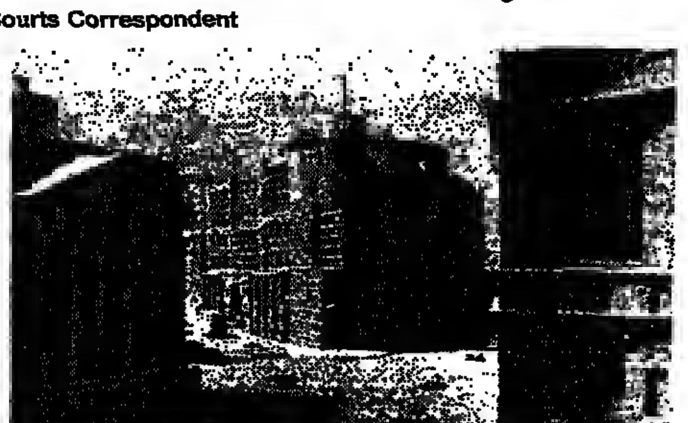
ARCHITECT Mr Peter Palumbo's controversial plan for the redevelopment of a site in the heart of the City of London conservation area has survived a challenge by conservationists.

A High Court judge yesterday rejected a plea by Save Britain's Heritage for a ruling that the decision of Mr Nicholas Ridley, when Environment Secretary, to approve the scheme was unlawful. Save is to consider an appeal.

Tha scheme involves tha demolition of eight listed and other Victorian buildings at Number One Poultry, near Mansion House, the traditional Home of the Lord Mayor, and their replacement by a modern block designed by Mr James Stirling – likened by tha Prince of Wales to "a 1930s wireless."

Mr Justice Simon Brown said that, when reaching his "unique" decision, Mr Ridley had recognised that the development was a test case, involving a departure from policy.

The crucial question had been: should development for the very first time be permitted merely because the architectural merits of the proposed replacement building were better than those of the existing listed buildings?



The block Prince Charles likened to a 1930's wireless

The judge said that enormous controversy surrounded the scheme; but whether the Stirling design was "a masterpiece crying to be built, or a conservationist disaster" was not for him to say. His only concern was whether Mr Ridley's decision had been taken and expressed in accordance with the law.

Save had argued that it was unclear what test Mr Ridley had applied and what criteria he had adopted – whether he had regarded the Stirling design as merely a worthy addition to the City or as wholly outstanding and thus quite exceptionally falling outside his stated policy.

"Save are concerned above all lest the Secretary of State's approach is not to be confined to this single historic case but is to be regarded as applicable generally up and down the country."

The judge said that everybody had recognised that the developers' case rested exclusively on the wholly exceptional merits of the Stirling design, and once Mr Ridley had rightly decided that the merits of a replacement building were a material consideration, the sole question had been whether those merits overrode the presumption in favour of conservation.

Mr Ridley had clearly agreed with his inspector, though for different reasons, that the Stirling building would preserve the character of the conservation area as a whole. He had said that it would contribute more, both to the immediate environment and to the architectural heritage, than the existing buildings.

The judge said that it had taken long and painstaking analysis of Mr Ridley's decision letter to persuade him of its true meaning.

"I cannot help wishing that the Secretary of State had made as immediately plain as the inspector both that he regards the presumption in favour of conservation as a strong one . . . and that it is only overridden here because of a combination of wholly exceptional circumstances: in short, that he appreciates the unique nature of this case."

The judge said that his judgment should set at rest Save's fears that the decision marked a sharp change in Government policy or might be regarded by planning authorities up and down the country as of general application.

UK NEWS

Pilot hours code to form basis of plan for Europe

By **Paul Betts**, Aerospace Correspondent

THE CIVIL Aviation Authority (CAA) introduced yesterday new rules to limit the duty hours of air crews following a series of disturbing reports of pilots falling asleep during flight because of fatigue.

The new regulations will come into effect in the UK at the end of next May in time for the next summer season. However, they will also form the basis of a broader European scheme to establish a common European standard on pilot flight hours by 1992, Mr Ronald Ashford, the CAA's director of safety regulations, said yesterday.

The UK has taken a lead on this issue because it has a far bigger commercial aircraft industry than other western European countries including a much bigger charter sector.

However, the new rules, which follow two years of intensive research, are expected to spark off a controversy with some pilots arguing for even tighter controls and some airlines claiming that they could further squeeze their financial performance.

Captain John Mimpriss, of the CAA's flight operations department, said crews were being worked harder because of the general shortage of pilots in the industry. Delays due to growing air traffic control problems were extending the duty hours of pilots. The introduction of modern two crew aircraft capable of flying long distances had also put further pressure on crews.

The CAA said some airlines were increasingly scheduling air crew duties very close to the authority's existing guidelines.

Unlike the previous voluntary guidelines, airlines will be forced to enforce the new rules. These include:

● A minimum of 7 instead of 6 days off in any four weeks.

● Duty hours limited to 55 in any one week, 95 in two weeks and 190 in any month. There were no fixed weekly or two-week limits before and the monthly limit was 200 hours.

● Not more than three consecutive night flights, with a compulsory extended rest period before the first flight.

● The minimum day off rest time increased to 34 hours for fixed wing aircraft and 36 hours for helicopters.

Critics ask how green will be Conservative valleys

John Hunt looks at charges of loopholes in a new environment bill as the party polishes its credentials

CRITICS of the Environment Protection Bill to be published today see it as a hotchpotch of measures hastily thrown together to prove the Government's green credantials now the environment has shot to the top of the political agenda.

The sceptics have a point. The legislation includes reorganisation - some say dismemberment - of the Nature Conservancy Council and tighter controls on litter, genetically manipulated organisms, radioactive materials and a ban on straw burning.

Environmentalists complain that this is a far cry from the fundamental reforms needed to control emissions of carbon dioxide and other gases that could cause global warming - the greenhouse effect.

Nevertheless the green bill - as it has become known - does contain important provisions for stricter control of industrial pollution and waste.

These will have a direct impact on industry and waste disposal companies and the higher standards required will certainly add to costs.

The Government'a main environmental proposals, which could include carbon taxes on fossil fuels and measures for energy saving, will come in a White Paper (policy document) to be published in September.

Today'a green bill does however contain important provisions for stricter control of industrial pollution. These will have a direct impact on industry and waste disposal and the higher standards will certainly add to costs.

Discussions already underway cover energy afficiency and green taxes on polluting fuels of the kind suggested by Professor David Pearce, adviser to Mr Chris Patten, the Environment Secretary.

The present bill implements the Government'a plans for integrated pollution control of big plants such as factories, chemical works, oil refineries and power stations.

The different forms of pollution will no longer be policed separately but will be dealt with by a single team from Her Majesty's Pollution Inspectorate, the Government watchdog.

Plant owners will have to obtain a "consent" authorising emissions and will be expected to use the best available technology so long as this does not involve exessive cost.

Environmentalists see the exessive cost clause as a loophole for polluters. But inspectors do have the alternative of imposing stringent anvironmental quality objectives if necessary.

There will be a duty of care placed on producers of waste to ensure that they dispose of it legally and responsibly. It will be a criminal offence to breach that duty. Waste disposal operators will no longer be able to surrender a licence and leave a waste dump in a dangerous state.

The chemical industry, which has been a target for enviromental campaigners, will be in the front line of the new controls. In fact the Chemical Industries Association (CIA) has long advocated a duty of care and already has a code of conduct on waste disposal for its own members.

The CIA is anxious that new measures do not prove too complex and difficult to implement. Unless the legislation is clear multinationals could avoid the UK when deciding where to establish new plants. They might opt for countries like Germany where regulations are strict but where there is certainty in their operation.

As in other industries, chemicals will face heavy costs in bringing old plant up to standard to meet the new requirements. Mrs Diane Brown, senior environment executive at the CIA, says that integrated pollution control will involve a lot of investment in new technology in the coming years.

There is also worry about how effective tha pollution inspectorate will be in policing the legislation. And there is also confusion and some overlap with the responsibilities of the new National Rivers Authority (NRA) set up to be the "the guardian of tha aquatic environment" under water privatisation. Dr Richard Pentreath, chief scientist at the NRA, complains that the bill will remove the authority's direct responsibility for overseeing dangerous discharges and will give it to HMIP.

"I think the NRA is going to be greatly disadvantaged," he said recently. "The position which it has so rapidly built up as an independent and efficient guardian of the environmnet will be undermined."

Unless the legislation is clear, multinationals could avoid the UK when deciding where to establish new plants. They might opt for countries such as Germany where regulations are strict but where there is great certainty in their operation.

The policing of domestic waste disposal will be taken over by the new waste regulatory authorities run by the county councils. But unlike the old waste disposal authorities which they replace they will no longer be able to run their own waste disposal plants at tha same time as regulating them. This poacher and gamekeeper role disappears.

Instead, domestic waste disposal will be run by limited companies owned by the local anthority bnt operated at "arms length." These will have to compete with private disposal companies for business.

The bill is generally welcomed by the National Association of Waste Disposal Contractors which has 80 members representing 65 per cent of the turnover in private sector waste disposal. The association recently introdnced its own disciplinary procedure under which members can be fined £7,500 ($12,000) or expelled for breaches of the code of practice.

Mr Roger Hewitt, treasurer of the association and managing director of Shanks and McEwan, one of Britain's biggest waste disposal companies, says that the regulations in the bill hava long been needed and will give the industry a better image.

Mr Richard Burnett-Hall, a partner in McKenna and Co, solicitors who specialise in environmental law says the reforms reinforce the trend towards more highly regulated, technically more sophisticated and expensive waste disposal. The higher costs will, he believes, encourage waste minimisation and recycling.

There will be no lack of opposition to the bill in both houses of parliament. It contains freedom of information provisions under which details of pollution by local companies must be kept on a register for public examination.

Mr David Gee, campaigns co-ordinator of Friends of the Earth, would like to see a broader obligation to provide environmental information and a general duty on business and industry to minimise waste. The Labour party will attack the bill along these lines.

In addition Lord Cranbrook, the Conservative Peer who is a leading environmentalist, has produced his own alternative environment protection bill which suggests the estalishment of an Environment Protection Commission.

A similar proposal has already been made by the Commons Environment Committee and is favoured by the Labour party. So an interesting cross-party coalition could emerge to embody this in an amendment to the legislation.

ICI starts studies for big effluent clean-up plants

By **Peter Marsh**

IMPERIAL Chemical Industries, Britain's biggest manufacturer, has started technical studies on large effluent clean-up plants at its main prodnction sites around Merseyside and Teesside. The studies could lead to spending of hundreds of millions of pounds on the plants in the 1990s.

Mr Mike Flux, ICI's gronp environmental adviser, said facilities to clean up liquid wastes from the two sites were likely to be needed over the next few years to fit in with new, tougher legislation on the environment in both Britain and the European Community generally.

He was speaking on the eve of publication of proposals by the Government for a new package of environmental legislation. The so-called Green Bill, due to be published today, is expected to lead to more onerous standards on pollution control for UK manufacturing companies.

The ICI sites, centred on Middlesbrough on Teesside and Runcorn on Merseyside, are the company's biggest concentrations of manufacturing worldwide. They make a large range of chemicals including fertilisers, plastics, specialist additives and inorganic materials such as chlorine-based compounds. The two sites channel large quantities of chemical wastes into the Tees and Mersey estuaries.

COMPANY NOTICES

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NOTICE IS HEREBY GIVEN that for the Interest Period commencing on 21st December, 1989, the U.S. dollar Notes will bear interest at the rate of 8⅝% per annum. The interest payable on 21st June, 1990 against Coupon No. 7 will be U.S. $43.604167 per U.S. $1,000 Nominal.

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NOTICE IS HEREBY GIVEN that for the Interest Period commencing on 21st December, 1989, the Notes will bear interest at the rate of 11 7/16% per annum. The interest payable on 21st March, 1990 against Coupon No. 14 will be ECU28.5938 per ECU1,000 nominal.

Fiscal Agent
ROYAL BANK OF CANADA EUROPE LIMITED

LEGAL NOTICES

No 006723 of 1989

In the High Court of Justice
Chancery Division

In the matter of
G.F. Lovell Public Limited Company
and
In the Matter of
The Companies Act 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 27th November, 1989 confirming the cancellation of the Share Premium Account of the above-named Company in the sum of £11,266,366 was registered by the Registrar of Companies on 4th December 1989.

Dated this 20th Day of December, 1989.

Lovell White Durrant
73 Cheapside
London
EC2V 6ER
Ref:F1/KDK/DAH
Solicitors for the above-named Company

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JOBS

Where goodwill still prevails over budgets

By Michael Dixon

HOW FARES the spirit of goodwill in face of the cold draught of the budget?

Not very well, according to several complaints which have arrived this past week or two. It seems that, in the view of present-day top managements, King Herod was slow off the mark.

They tend to get their massacre of the innocents over *before* Christmas Day. The reason is reputedly an executive urge to remove unwanted staff from the budget so as to start the new year with a clean sheet.

That was scarcely something the Jobs column was eager to believe. So I called 14 outplacement consultants in various parts of Europe to check. Alas, all reported that business was on the whole good, most having the finesse – perhaps learned from undertakers – to add they were sorry to say so.

Nevertheless I'm glad to reveal that in Scandinavia the old spirit prevails. While redundancies are increasing in Denmark, Norway and Finland, though not in Sweden, employers shun announcing them in the run-up to Christmas.

The same applies in Italy. "After all, we're Latins," I was told. "There won't be much talk here of work in any context till January 8."

Goodwill is also abroad in West Germany, Switzerland and the Netherlands, where outplacers uniformly report a December lull in business. Even so, the budget seems to be gaining in the struggle because the downturn is less marked than in former years.

In Britain and France, however, budgets evidently reign supreme. Outplacement consultants in both said it was a long time since they had come across a company with qualms about handing out redundancy notices in the pre-Christmas weeks.

Nor, with one exception, did they see good reason why employers should hold their fire. A typical comment was: "OK, if you tell them now, you'll be blamed for spoiling Christmas. But if you wait till January, they'll say you should have told them before so they wouldn't have spent so much money. Either way, if they have to go, there'll be no joy in it for them. So it's only sensible to do it when its best for the organisation."

As far as the Jobs column can see, there's no flaw in the logic of that argument. It just misses the entire point.

Fortunately, I hear that there is at least one young man who did find joy in being fired. While padding in his suede shoes along the top-floor corridor of a British group, he came face-to-face with the tycoon who runs it. Glaring, the chief beckoned him into a huge office, sat down at the desk and asked what he was paid.

On hearing it was £12,000 a year, the tycoon scribbled on a piece of paper, called a secretary, and said: "Get that from the cashier, and buzz me when you're back."

Then he told the young man that, however good his work might be, he was not the sort of person the group wanted to employ. "So go to my secretary," the chief added as the buzzer went, "take the envelope she gives you and call in at personnel to pick up what's necessary on your way out. No hard feelings. Goodbye."

The envelope contained £3,000, which brought a spring to the young man's step as he went back to the agency where he worked. He hadn't expected such a big tip for delivering a parcel to the group's executive suite.

Festivity

NOW to the festive spirit in a quite different sense. For a long time now I have been marvelling at the detail the Runzheimer International consultancy goes into while doing its job of advising employers about world-wide living costs, pay and perks. So this week I've persuaded its European operation – Runzheimer Mitchell, in London – to supply rough indicators of the price of a hangover in 20 big cities.

While it is all too easily forgotten beforehand, the full outlay includes not only the cost of incurring same, but also the expense of trying to get rid of it. Accordingly, the consultancy has delved into its data on comparative prices in search of goods on the market that reflect both elements.

As a gauge of the "on-cost", it has come up with the average price of a litre of Scotch whisky and a like quantity of vodka. "Off-cost" is measured by the average price of 36 Alka Seltzers (except in Tokyo where they're apparently not sold), 100 branded aspirin, and half a pound of instant coffee.

The results, in sterling at the rates of December 15, are showo in the table above. Naturally, it is up to readers to decide whether Athens is a good place to be and Helsinki a bad one, or *vice versa*. The most balanced city would seem to be Milan, where it costs almost as much to recover as it does to suffer in the first place.

Which said, I wish you the compliments of the season, and hope to see you again on January 3.

THE PRICE OF OVER-INDULGENCE AROUND THE WORLD

City	1 litre Scotch £	1 litre Vodka £	*Average on-cost* £	36 Alka Seltzer £	100 Aspirin £	8 ozs Coffee £	*Average off-cost* £	**Average full cost** £
Helsinki	34.09	35.10	*34.60*	3.11	3.51	9.06	*5.23*	**39.83**
Cairo	24.81	23.30	*23.96*	0.97	0.30	6.44	*2.57*	**26.53**
Copenhagen	24.32	18.08	*21.20*	2.46	4.34	5.76	*4.19*	**25.39**
Moscow	16.96	14.26	*15.61*	2.80	4.32	10.40	*5.84*	**21.45**
Singapore	18.47	16.49	*17.48*	3.05	4.64	4.11	*3.93*	**21.41**
Tokyo	17.71	13.07	*15.39*	–	7.24	4.58	*5.91*	**21.30**
Stockholm	20.95	15.19	*18.07*	1.99	0.92	4.90	*2.60*	**20.67**
Sydney	14.68	13.57	*14.13*	2.49	3.42	3.72	*3.21*	**17.34**
Buenos Aires	25.96	2.02	*13.99*	1.49	2.47	2.31	*2.09*	**16.08**
Vienna	13.42	11.88	*12.65*	1.16	1.18	5.86	*2.73*	**15.38**
Amsterdam	11.34	8.39	*9.87*	3.97	7.81	3.57	*5.12*	**14.99**
Brussels	12.10	9.91	*11.01*	2.59	2.73	4.02	*3.11*	**14.12**
Paris	10.43	9.64	*10.04*	2.79	2.76	3.68	*3.08*	**13.12**
Hong Kong	10.96	9.00	*9.98*	2.70	1.76	2.94	*2.47*	**12.45**
Milan	6.52	6.58	*6.55*	4.90	5.62	6.59	*5.70*	**12.25**
Madrid	8.94	6.45	*7.70*	3.09	4.19	3.80	*3.69*	**11.39**
Frankfurt	6.34	4.44	*5.39*	5.30	5.14	4.82	*5.09*	**10.48**
Lisbon	10.06	4.72	*7.39*	1.77	2.92	4.47	*3.05*	**10.44**
London	8.78	7.96	*8.37*	1.79	1.09	3.02	*1.97*	**10.34**
Athens	7.28	6.55	*6.92*	2.02	1.30	3.35	*2.22*	**9.14**

MANAGEMENT

East German industry

Taking a step in a new direction

Joachim Lezoch, general director of the country's Shoe Kombinat, explains to **David Goodhart** how management and working practices are to be reformed, providing a blueprint for changes elsewhere in the economy

Joachim Lezoch, the general director of the East German Shoe *Kombinat*, *has the* build of a heavy-weight wrestling champion. This is just as well; on hie powerful shoulders rests part of the responsibility for transforming East Germany's sick economy.

Of the many proposals for economic reform currently being thrashed out in East Berlin, one of the least controversial is that Lezoch and his 100-plus general director colleagues, the business elite of East Germany, should enjoy far greater independence.

They want – and it seems will get – the right to manage, without the interference of the planning bureaucracy in the Industry Ministry, *without the responsibility for* every detail of the social welfare of employees, and without having to adhere to a pay system which promotes only sloth.

The Shoe Kombinat – soon to be renamed the United Shoe Industry – has been chosen as a guinea pig for such plant-level reforms. That is partly because it is, by the standards of the East German consumer goods sector, already a relatively efficient monopolist.

With 47,000 workers, 35 separate businesses, and 250 plants, it produces 93m pairs of shoes a year 12m go to the Soviet Union and 2m to the West. It records annual sales of 5bn East German marks, putting it in the top ten companies in the country, and, after taking into account the 1bn marks annual subsidy to cover the lower cost of children's shoes, produces a nominal profit of DM 250m.

The other reason for the shoe industry's guinea pig status is that Lezoch himself is the nearest thing to an East German business whizz-kid there is. He took over as general director of the industry 11 years ago at the age of 34 and, in the estimation of western competitors, has done a good job with lousy tools.

Now he is also politically in favour. Under the old regime his reformist management ideas were considered heresy; now he has the ear of Hans Modrow, the Prime Minister, who has been a friend for many years, and he sits on various committees which draw up economic reform plans for the Socialist Unity Party (SED), of which he is a member.

What, then, does Lezoch want? Sitting in his unassuming office in the small town of Weissenfels, just south of Leipzig, where the Shoe Kombinat has its headquarters, he explains.

■ Autonomy. His first priority, already partially realised in the past few weeks, is complete independence from the Party and partial independence from the central planners. Lezoch is a convinced socialist who believes it is possible to combine economic dynamism and social welfare within a predominantly state-run economy. However, he also believes that detailed central planning "is complete nonsense". He says: "Central planning may have been necessary for a few years after the war but now it is ridiculous for someone in the Industry Ministry to decide whether we need 91m or 93m pairs of shoes each year. *I want to produce shoes that* people want; I don't want to follow a mathematical model."

He adds, however, that quality and not merely quantity is already a major priority of his industry and claims that in productivity and design the Shoe Kombinat can compete with the average "although not the best" western firms.

He also denies that there is a lack of well-qualified managers in East Germany. "I have plenty of good people who could do great things if they did not have to spend so much time wading through 400-page reports of unnecessary bureaucratic detail," he says. Further administrative changes he wants include the right, already partially realised, to by-pass the Foreign Trade Ministry and deal directly with foreign suppliers and customers; he also wants much greater clarity on corporate tax which currently varies sharply from year to year.

■ Rationalisation. "If business is to do its job properly there must be clearer borders between the responsibilities of business and the social responsibilities of the state," says Lezoch. In other words Lezoch wants to cease being effectively the local social security office as well as the main employer and wants much greater scope for rationalisation.

Currently, he says, he has to go on employing, or at least paying, people who are permanently ill or retired early. "I've got 15 alcoholics on my books at this works alone," he says. He also has to support the Weissenfels football team "because they don't charge enough for entry."

He wants to reduce his workforce sharply. Initially he plans to slim down only the administration, which accounts for 13 per cent of the labour force. "I want to cut staffing levels by 30 per cent immediately with another 20 per cent to follow. Altogether that will mean releasing about 2,500 people."

He does not envisage a substantial new wave of unemployment in East Germany but believes the state should start paying a form of benefit to those "in between jobs" as some of the country's hidden unemployed are given the sack. "We have already started to create some unemployment with the dismantling of the Office of National Security," he points out.

More resources must also be put into retraining. Lezoch claims to have pioneered such retraining in the Weissenfels area by arranging, in association with the local further edncation college, a course in finance and economics for former security police.

■ Incentives. This, to Lezoch, is clearly the single most important field of reform. Even before the recent upheavals he had been fighting a war of attrition with the Party and the Industry Ministry over the introduction of incentive pay schemes. He now admits that the changes he did push through were largely cosmetic.

"The great mistake Marx made, which has troubled the economies of all socialist countries, was to ignore the question of incentives. If everybody is paid tha same, regardless of effort, some people will scarcely work at all and the others who do work will quickly become demoralised."

There is a graded pay system in the shoe industry but Lezoch wants substantially to widen differentials. "Currently we have a pyramid system which I want to turn into something more like the obelisk in the Place de la Concorde," he says.

The average production worker now earns about 1,000 marks net a month – although it is possible to earn as little as 600 and as much as 1,400 – but the next grade up from production worker, "masters", earn, after tax, only 150 marks per month more than the average worker. Even worse, according to Lezoch, the head of a plant now earns only 500 marks a month more than the average production worker. "Why should someone work themselves to death for an extra 500 marks a month?" he asks.

Under his new system there will be a minimum 30 per cent differential between production workers and masters and a minimum 30 per cent differential between masters and plant bosses. He also wants to experiment with various different systems of productivity bonus and piece work and introduce a profit-sharing incentive for managers. Such measures, be reckons, will increase productivity by 20 per cent almost immediately.

Lezoch does not duck from applying such incentive principles to the operation of individual companies or even his own industry. "I am a monopolist, which means I decide how much profit I make. We need a system in which I make a decent profit if I have worked effectively and less if I have not," he says.

However, his radicalism has clear boundaries. He insists that as long as the East German mark is not convertible and there is no frea access to raw materials a form of non-market control has to be exerted. "In a sense I am the market in the shoe industry. I decide which plants should expand and which should not, and I make sure there is no unnecessary duplication," he says. He says he can already close down plants if they are particularly inefficient but only if that does not thereby threaten plan targets.

He will now also be able to allow plants to leave the Kombinat if he thinks they could flourish outside. However, unlike many critics of the East German economy, Lezoch is not opposed in principle to the Kombinat idea of giant vertically-integrated conglomerates. The arguments he makes for the Kombinat – economies of scale, ability to provide central services that smaller companies would not enjoy – sound rather similar to the pro-conglomerate case in capitalist economies.

His broader criticisms of the structure and functioning of the East German economy do chime with the views of many western critics. He says for example that the semi-autarkic structure has caused enormous damage and the sooner the economy is strong enough to become more integrated into world markets the better. "We produce something like 80 per cent of all manufactured goods, which is quite unnecessary," he says.

Industries like shipping, crane building, and parts of the chemical industry, where East Germany has no clear comparative advantage, should be abandoned as soon as feasible. He is particularly scathing about the energy economy and says that with no acceptable domestic fuel supply of its own the country should withdraw from energy-intensive industries.

Potential growth areas are semi-finished goods, some areas of specialised machinery, services and tourism. "We need to encourage small businesses and we need to improve the standards of gastronomy in the country by 500 per cent," he says.

He accepts that East Germany has to exploit its position as a relatively low-labour cost country to draw in western capital hut wants to place strict controls on the "buying-up" of East Germany. "We do not want to become the Sicily of West Germany," he says.

He is clearly not happy about some of the economic consequences of opening the borders, in particular the growing role of the D-mark in East Germany, but accepts that it is politically impractical to stop such a trend. "It means that we have to inject more value into our own currency as quickly as possible," he says.

The macro-economic priority now is a reduction in subsidies, with a corresponding increase in pay and other incomes, and the creation of a real price system. in his own industry, for example, he says that subsidies for children's shoes should stop but that national child benefits should be raised. He also remarks that it is ridiculous that he pays only 200 marks a month for a six-bedroom house with two garages – hastening to add that a western businessman of similar rank would have four or five houses.

He recognises that if price reform is introduced before tackling the "monetary overhang" of savings, estimated at 150bn marks, it could release inflation. He therefore advocates a tight money supply and higher interest rates – although he wants lower interest rates for big savers so that the 5 or 10 per cent of richer East Germans, such as himself, who are responsible for a large part of the overhang, do not benefit unduly. "The important thing is that ordinary people do not suffer a lower standard of living during the transition," he adds.

He supports the privatisation of state-owned flats, combined with a radical increase in rents, and advocates the destruction of the monetary proceeds as another means of reducing the overhang.

Medium-term he can envisage selling to workers shares in the companies they work in, but that – like convertibility itself – might be two to three years away. In the meantime, he advocates that the government acts as a consumer goods wholesaler to satisfy increasingly demanding consumers and to stop the outflow of East German marks seeking West German goods even at extremely unfavourable exchange rates.

He suggests that the government spends 1bn marks buying Japanese cars at special low prices. Surprisingly, he is not especially worried about the continuing outflow of East Germans settling in West Germany. Despite the changes of recent weeks the figure remains at about 2,000 a day and most observers assume that they are mainly the younger more energetic people that East Germany can least afford to lose.

Lezoch takes issue with this view and says that he has only lost 600 out of his workforce of 47,000 and that very few of them were economically significant. He accepts that the loss of particular groups like doctors is serious but that most key production workers are staying. Yet he also admits that unless his country moves with "military" speed and determination it could quite soon lose its economic, and thus effectively political, independence.

The prospect of being taken over by the "arrogant" West Germans does not fill him with joy. He admits that "for psychological reasons" joint ventures or partnerships with western firms from anywhere but West Germany are preferred if all other things are equal. He himself recently signed a deal with the British shoe machinery company, United Machinery Group.

He says that East Germany now offers very attractive partnership opportunities to EC countries especially as a window on Eastern European and Soviet markets; "We know these markets well and we speak Russian."

Lezoch even toys with a bit of political blackmail: "If you in Western Europe do not like the prospect of a united Germany then you must help us now to remain independent." Lezoch brims with sophistication and competence but such comments also reveal his desperation.

TECHNOLOGY

Nick Garnett reports on the advances made in the design of smaller, cheaper power stations

A new age of energy is on the horizon

We all know what they look like. Enormous structures, some with concrete towers from which plumes of steam pour from the top. You can see them from miles away. On the M62 transpennine motorway in the north of England, you drive past three, one after the other.

Such power stations, whether coal, oil or nuclear powered, are part of the landscape in just about every country in the world.

But many economies outside the Third World are going to see more of another type of power station – smaller, quicker and cheaper to build and principally powered by a mechanism closely related to a jet engine. The 1990s could be the age of the gas turbine powered-combined cycle station.

Some large fossil fuel power stations of up to 1,800 MW will still be built for base load requirements. But in the US, Europe and parts of the Far East these are going to be supplemented and partly replaced by combined-cycle stations for base load, local district and peak loading capacity.

Such stations, usually ranging from around 100 MW to 900 MW in capacity, can also have extra equipment fitted to provide district heating as well as electricity. These are known as combined-cycle, co-generation stations.

Combined cycle plants, which produce electricity from both a gas turbine and a steam turbine, have been around for quite a long time. One estimate says that there are 36,000 MW to 40,000 MW of combined-cycle station capacity in the world, though most of this is from small industrial plants.

General Electric (GE) of the US has probably built more than any other company. Asea Brown Boveri (ABB) is also a top ranked supplier, having built 60 such stations.

Combined-cycle technology looks like coming into its own for two reasons. One is that gas has recently become an accepted form of fuel for power stations. The other is that the economics of electricity supply are changing, working in favour of combined-cycle's high thermal efficiency and moderate investment costs.

Shifts in the financial structure of power supply have been most marked in the UK. Electricity privatisation has called into question who is to pay for very large power stations that can cost more than £1bn to build and has contributed to the scuppering of the Government's plans for both nuclear and large coal-fired stations.

The commercial attractiveness of combined-cycle plants though is also affecting purchasing policies in the US and is likely to do so in parts of continental Europe.

According to Rolf Kehlhofer, ABB's marketing vice-president, *a combined-cycle plant of* 220 MW and measuring about 100m square, could be built for about £80m, excluding interest charges.

Some large fossil fuel power stations will still be built. But in the US, Europe and the Far East these are going to be supplemented by combined-cycle stations

Building times from order to completion for such plants vary from about two to three years, compared with up to six or seven years for some types of large plant.

Efficiency is higher than in conventional stations. The output of electricity to the input of heat (fuel) is typically 50 per cent, much higher than a coal-fired station. Gas also provides lower emissions, allowing the station to generate almost no nitrogen oxides.

The one big disadvantage is that you need a piped gas supply. Gas turbines will run on emissions from burning fuel such as coal but that would lower efficiency. Theoretically, diesel engines could be used instead of a gas turbine but there are a number of operational objections to that.

So how does a combined-cycle station work? The gas turbine part of the station provides rotative power direct through a generator to produce electricity. The exhaust temperature of the gas turbine (about 500 degrees Centigrade) is used, at the same time, to heat water and generate steam to drive a steam turbine. This produces a second source of electric power, again operating through a generator. In other words, a second source of electricity is obtained without burning additional fuel.

Kehlhofer says the amount of electricity produced by the gas turbine is about double that which comes from the steam turbine.

If the station also has co-generation equipment, the main elements of which are condensers, it can also produce district heating. However, this reduces the amount of electricity produced by the steam turbine.

The key technology in a combined-cycle station is the gas turbine. Such turbines range from a few megawatts up to more than 200 MW – the biggest under development being those of GEC-Alsthom, based on a GE licence.

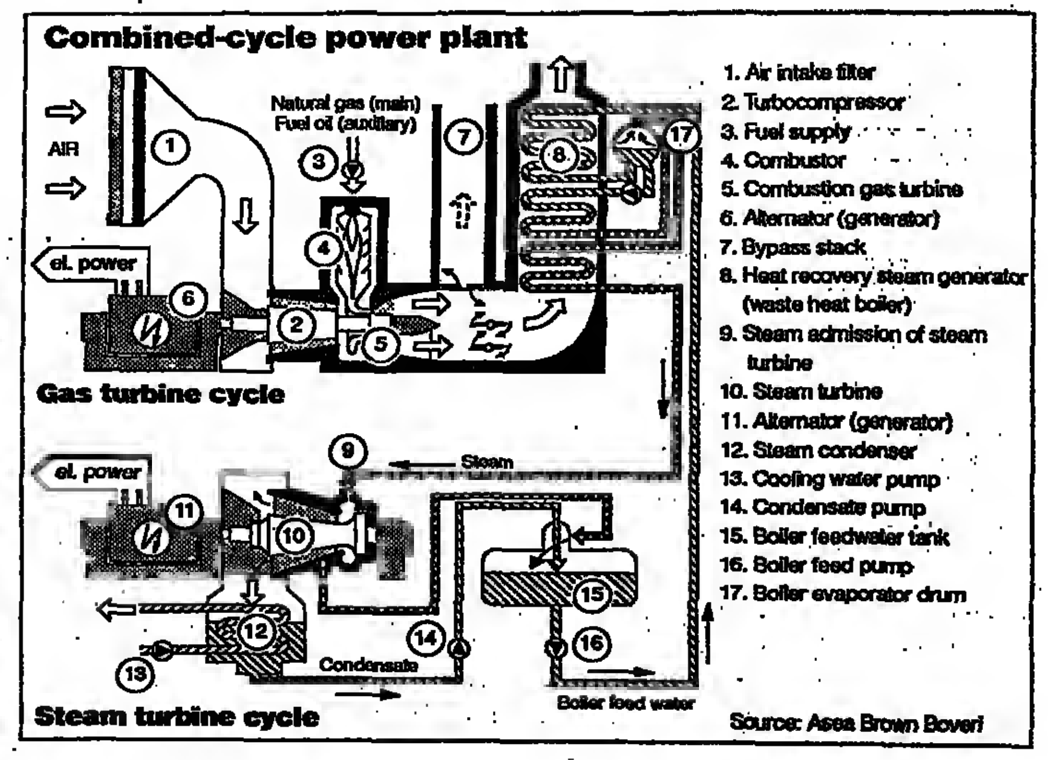
For power stations, industrial gas turbines rather than aero-engine-derived units are used. Jet engine derived units, in operation on oil rigs, for example, require extensive maintenance every 500 to 1,000 hours, a time period completely unacceptable to power station operators. Larger, heavier duty industrial gas turbines can operate 16,000 hours to 25,000 hours before an overhaul.

One of the critical elements of design in a gas turbine, apart from the turbine blades, is the cooling system. The temperature of hot gases in the turbine can be as high as 1,300 degrees C, close to the melting point of the blades.

A typical 600 MW plant would use three 150 MW gas turbines, each about 80 feet long.

No one believes the day of the big coal-fired station is at an end, even in the western world. But for the moment, "combined-cycle" are the buzz words of electricity supply outside the Third World.

Combined-cycle power plant



Source: Asea Brown Boveri

The main power station suppliers

MAIN power station suppliers have their own gas turbine technology. These are GE of the US; ABB, the pan-European Swiss-Swedish group; GEC-Alsthom, the French-British company; Siemens of West Germany; and Japan's Mitsubishi.

There are also a range of other suppliers such as John Brown in the UK which is a licensee of GE and manufactures gas turbines from 20 MW to 150 MW, and Rolls-Royce, with the industrial version of its RB211. The Rolls-Royce group now includes Northern Engineering Industries.

The gas turbine technology of each of the main suppliers are very similar though the power ranges vary. ABB is from 9 MW to 150 MW. GE also goes up to 150 MW. GEC-Alsthom's range is from 19 MW to 200 MW. Mitsubishi has very small and very large gas turbines but is short of mid-power units. Siemens is concentrated more towards bigger gas turbines.

Nick Garnett

Della Bradshaw examines how Coutts, the exclusive bank, has introduced computer technology

The icing on the banking gâteau

Coutts & Co, banker to the rich and the royal, is turning to technology to give its clients the traditional old-fashioned service for which it is renowned.

Among the tail-coated banking staff and the discreet but opulent surroundings of a typical Coutts branch, nothing appears to have changed. But behind the scenes computer terminals are replacing the filing cabinets to give Coutts one of the most advanced information technology systems of any UK bank.

The aim has been to enable each of Coutts' personal bankers to display on the computer screen all the information available on a client's range of accounts, personal or corporate.

The detail is impressive. Not only does the system throw up, say, the size of the mortgage and the amount paid for the house (or bonuses) of one of its personal clients, it also notes the year in which the purchase was made – essential in calculating the property's value.

Most high street banks are still struggling to install such systems. But for Coutts the need for this type of information technology was more acute because of the nature of its clients.

Coutts has over 36,000 private and 11,000 business customers, with 80 per cent of the bank's profits coming from those businesses. Each of the business customers could have 20 different accounts. But the personal customers are also likely to have several accounts in different currencies, or use the bank to handle their share portfolios or deal with bonds.

Now a subsidiary of the decidedly more downmarket National Westminster Bank, Coutts uses the massive computer capacity of its parent to do the routine number-crunching accounting tasks. On top of that it has decided to implement its own data processing strategy in order to service its exclusive niche markets.

Stuart Marshall, director and head of the management services division, describes these systems as "the icing on the cake."

Marshall acknowledges that the combination of Coutts' size (it has only 21 branches) and the geographical concentration of those branches (mostly in London with six of them in just one street – The Strand) has enabled it to move more quickly than the big high street banks.

But Hugh Small, European director of Arthur D Little, the management and technology consultancy responsible for advising Coutts on its information technology strategy, believes that, given the will, any banking chain could do the same. "The technology would be the same, with branches connected to the central computer in a star configuration. The difference would be the size."

The Coutts system is based on mid-range computers from Digital Equipment, into which are networked the terminals in all the branches. The information from the massive National Westminster accounting system is extracted daily and downloaded onto the Digital minicomputer, updating information on individual balances and cash flows.

Coutts has been partly inspired to implement this system because of its success in using computers in other areas. In particular, its package for Lloyds Members' Agents has resulted in the bank steadily increasing its share of this market.

Implemented in 1987, the deposit and loan account system, normally abbreviated to Dalas, is a sub-accounting software package devised for Lloyds agencies following the 1986 Financial Services Act, which ruled that agencies had to split up their accounts in order to separate different member interests.

In April 1987, 25 per cent of Lloyds Names disbursements were handled by Coutts. This year Coutts claims to handle 53 per cent – worth £275m.

Coutts is quick to point out that the introduction of the branch computers is not intended to take customers away from the big high street banks. Instead, its emphasis is on giving a better service to existing customers.

Giving its exclusive clients an even more exclusive service, Marshall hopes, will increase the bank's turnover by boosting the amount of business each client gives the bank to handle.

ARTS

Lady Drogheda

Joan Moore, the Countess of Drogheda, died on December 16 after a long illness, and a light has gone out that once shone bright in London's musical life.

I learned to know her when first I began writing for *The Financial Times*, over 36 years ago. She was a pianist, who studied with Ilona Kabos and Bela Siki. Her professional appearances were few; she lacked the need and perhaps the kind of temperament required to "affront" a tough professional career, but when she did play in public her performances were poetic and polished.

I recall well her last Wigmore Hall recital. (I did not review it; one doesn't review the boss's wife or, for that matter, someone with whom one has been playing fourhand Mozart, Schubert and Fauré, but would have written warmly had I been in a position to do so.)

I recall even more fondly evenings in the Lord North Street house when Joan would play Fauré most beautifully of all to a group of friends, sharing her love of the music and her discoveries about its performance.

Before her marriage, in 1935, to Garrett Moore, later the Earl of Drogheda and Managing Director, then Chairman of the of *The Financial Times*, between 1945-1975, Joan Carr had led an unconventional, eventful life. Beneath her exquisite decorum there was warmth, adventure, a sense of fun, and a merry streak of sharpeyed observation. I loved her dearly: so did everyone who knew her. At each Covent Garden first night, during the 16 years when Garrett was Covent Garden chairman, I would look up to the Royal Box to see if she, ever beautiful, was there. The next morning, after my *FT* review had appeared, and if it was unfavourable, I might be wakened by a motorbike messenger bearing a "Droghedagram" of protest. I could turn to her for a musician's consolation or confirmation.

She was a loyal wife but an unflinching, scrupulously honest critic: I remember being roundly chided for having undervalued the merits of a Covent Garden *Don Giovanni* that Josef Krips conducted.

The piano kept us in touch after I moved to America: we shared thoughts about the new pianists who appeared, and about old pianists: shared, for example, our simultaneous, belated discovery of Ernst Lévy's wonderful recordings of late Beethoven sonatas.

Not least among the joys of what I think of as golden years in London working for the *FT* was knowing that Joan Drogheda the boss's wife and a true musician read me, understood whatever I was trying to say, and kept me in line when I strayed. Beautiful and wonderful Joan, I thank you.

Andrew Porter

TELEVISION

'Christmas should be a time of enjoyment . . .'

Each of us, I suspect, has certain mental blindspots: things which leave us cold even though they seem to be admired or adored by others. While I can see Chekhov has his strengths I have never understood his lionisation, almost canonisation, by people whose opinions I otherwise respect. Nor do I understand the huge popularity of Carla Lane (of which more below). But what really baffles me is why anybody agrees to appear on the *Dame Edna* show.

Barry Humphries is a near genius whose stage persona is one of the few true originals (owing nothing to the Danny la Rue drag tradition) created for and by television, even if Edna has her origins on the legitimate stage. Moreover, Humphries' programmes are very funny and unlike anything else on the box. Even though they appear to be structurally much like other chat shows, the spirit could hardly be in greater contrast to that of the Wogan or Parkinson series. Instead of sycophancy, Humphries delivers ridicule, and where others provide hero worship he offers contempt; wrapped in smiles and tied with a joke, perhaps, but contempt just the same. Why do people keep on co-operating? Are they really that desperate *for a few moments of fame? Or do* they really not see what he is up to? Perhaps it is their blindspot?

★

The popularity of Carla Lane's work must, surely, bear out her own view of the human race: that a lot of people are half mad and very lonely. Far from funny, I find her programmes (*Butterflies, The Mistress, Bread*) suicidally dismal. Their view of life seems not just sardonic but thoroughly cynical. The last time she was regularly funny was about 20 years ago in *The Liver Birds*. Tomorrow night BBC1 offers a 40-minute Carla Lane drama, *Happy Christmas – I Love You*. The billing tells us: "It is Christmas Eve. Bruce and Renee speak to us from the appropriate corners of their home and wa discover that, after 23 years of marriage, they know absolutely nothing about each other." Perhaps it will be awfully good, bnt it hardly sounds like a laugh a minute, yet that is the image we are given of Carla Lane: that she is a comedy writer. Tragedy, more like.

★

According to a report in the Daily Mail, David Elstein, Director of Programmes et Thames TV, has announced "We believe Christmas should be a time of enjoyment. On ITV there will be no sex and no violence, I can assure you of that. Those days have passed." It is alarming that two such dissimilar phenomena – the first associated with love and pleasure, and the second with hatred and pain – should be quite so closely connected in Mr Elstein's mind (always assuming, of course, that the report was accurate). Furthermore it seems sad that poor Mr Elstein should identify sex with the absence of enjoyment.

Most curious of all, however, is the question of precisely what sexual material we are to be denied: when is the last time yon can recall Thames giving us a really *good* sexy programme? Violence, of course, is another matter entirely. On the very day that this report appeared Mr Elstein gave us *The Shining*, one of the most gratuitously violent and grotesquely unpleasant films it has ever been my misfortune to hump into. Admittedly I came to it late, and after seeing a waterfall of blood bursting into a hotel lobby, a small child daemonically possessed, and a man slaughtered by having an axe buried in his chest (all in glorious colour and gloating closeup) I switched off.

Perhaps Mr Elstein could say why he is giving up such horrible stuff only during Christmas, and at the same time tell us the titles of the sexy programmes we shall be able to enjoy once his bizarre Christmas ban is over.

★

Thames's series *Capital City* set in the London bank, Shane Longman, has not tried to be great drama, more a British version of those modern American programmes combining a big soap-opera cast with a multi-core plot involving the members of some organisation in partner swapping, alcoholism, ambition, and so on. *Hill Street Blues* was one of the first and best and *LA Law* is probably the highest rated of the current American examples. Five weeks ago I said it would be interesting to know how the expert viewers among *FT* readers regarded *Capital City*: with spluttering rage or indulgent amiles. Several readers responded, and the answers seem to be pretty evenly mixed.

John Welsh of Tullett and Tokyo Money Markets liked it least: "An enormous disappointment . . . the predicaments we are expected to believe just do not occur in the dealing room of any bank that I have experienced in 22 years . . ."

Roy Thomas, finance director of a public company and "no lover of the City," nevertheless finds the series entertaining. No dealing room would deal in everything from commodity swaps to bonds and equities, he says, hut one accepts this in the interests of drama. Moreover, a deal to finance a Brazilian paper mill hy buying Brezilian government debt et a discount was "not only appropriate and accurate but sophisticated and refined," and the script got it exactly right.

Information manager Fran Shepherd asks "What has happened to Shane Longman's research departmeot? I could have sworn they had ooe. In a previous episode wasn't there a cheery cry down the phone of 'Get me all you have on rubber'? presumably it's been axed as Hudson and Max seem to have spent their day trying to huy a company already owned hy their clients . . ."

And Jeremy Hale, David Morrison and David Walton of Goodman Sachs remark "The idea that tbe head of a merchant bank'a dealing room blows a whistle to announce that gilts are down two points on a 1.2bn quarterly UK trade deficit is of course ridiculous. (After all, 1.2bn in a month would probably put gilts *up* two points.) Nevertheless we think that *Capital City* is great entertainment and we wouldn't miss it. Neither, apparently, would the Chancellor want us to, having moved the Autumn Statement to a Wednesday from a Tuesday, no doubt for convenience of viewing. Long live Shane Longman!"

That comes closest to my own reaction, as e layman with no experience of this world: Max in his Western "duster" raincoat and pigtail, Sirkka with her stash of vodka, Declan with his love of women, and the whole loud, lusty crew, are the most interesting thing to have turned up in British mainstream TV drama for ages.

★

The buzz-words of the week are "cross media ownership controls." The Government has called for a report on the way that mass media companies promote their own interests among their various outlets: the treatment of Rupert Murdoch's Sky Television in Rupert Murdoch's *Sun* newspaper is presumably an example, and perhaps the way that Pearson's *FT* treats Pearson's Penguin Books. British Satellite Broadcasting has just published a pamphlet called *Raising Kane? Media Ownership In A Free Society - Diversity, Fair Competition And The Public Interest*. It opens with the worde "Concentration of media power is against the interests of a free society."

One's instinct, of course, is to be on the side of the angels in this matter, and it would surely take a fool to favour monopoly over diversity. Wider choice is desirable for its own sake: it is more interesting. But is monopoly in this area quite as dangerous as we are led to believe? Are people really so very credulous? It is worth noting one vivid example just presented to us which appears to be a dramatic contradiction of the widespread belief that the public (not you or me, of course, but all the rest of them) can be led by the nose once the mass media are solidly monopolised. In Poland, Hungary, Czechoslovakia, and East Germany the press, television, radio, publishing – the entire mass media – has been monopolised for 40 years. And wae the result n bralnwaehcd population helleving dutifully in communism?

Christopher Dunkley

Dame Edna: delivers ridicule and contempt, all wrapped in smiles and tied with a joke

Der Freischütz

COVENT GARDEN

At the Royal Opera it has been a persistent feature of the year nearly at an end that the new productions have been of poor quality, or worse, and the revivals impressively strong. The return of the 1977 Weber staging completes the tale. On Monday, though details might have been improved (lighting in the Wolf's Glen scene, ensemble between chorus – somewhat underpowered – and orchestra), the overall feeling was wonderfully right. This marvellous work does not always come across as a masterpiece; on this occasion, its stature, its musical richness and dramatic power, could hardly be in question.

Colin Davis was back. It was a shock – simply because his experience is now such an unfamiliar one – to hear an opera performance projected out of the pit by a conductor whose conception of a work exerts a grip on the stage from first note to last. From the overture, broadly phrased, to the finale, its many (and sometimes discontinnons-seeming) sequences forged into a flowing unity, there was not the smallest doubt that a born Weberian was guiding the dramatic progress.

In Davis's care the music glances back to Haydn and forward to Berlioz and Wagner equally. I relished the spaciousness of the phrasing, the foundation of so much of the reading on beautifully warm lower-string tone, the distinct timbres found for each stratum (public and private, good and evil) of Weber's dramatic vision.

I have never heard the charms of the "indoor" scenes more lovingly attended to – simple domesticity or pre-marital piety pictured with masterly economy by the composer and realised with wholehearted sympathy by his performers.

With its vistas of frazzled trees and gutted churches this production may impose a rather lean, sceptical view of German Romantic tradition. All the same, and no doubt because a Weber champion in the pit, the staging (the Götz Friedrich original rehearsed now by Wolfgang Bücker) took on a feeling of heightened intensity that it has not always possessed. Dramatic impact was also immeasurably improved by the presence of two native Germans and a German-speaking Finn in leading roles, all three able to make the dialogue sound natural, not boned up in the rehearsal room.

René Kollo, the 1977 Max, has returned in splendid form – he is always a commanding artist, whoee intelligence shines out in everything he tackles, and the voice, while not exactly lyrical in style, manages both the awkward vocal range and the potentially tedious equivocations of the character with unarguable anthority. The new Caspar, Harmut Welker, cuts a dark, dashing figure; his hass-haritone lacks full grandeur to unleash a fully dominant "Schweig! schweig!," but clswhere he leaves a notable individual stamp on the proceedings.

Alastair Muir

Karita Mattila

Karita Mattila sings Agathe with greater radiance than the Mozart heroines that have previously fallen to her at Covent Garden – "Und ob die Wolke," gently phrased and easily enstained, wes old-fashioned in the very best sensa. Physically she needs to loosen up a good deal more, and a good deal earlier in the evening. The new Annchen, Judith Howarth, is a charmer (in spite of unconvincing German); Bruno Caproni's Kilian and Anthony Michaels-Moore's Ottakar are among the other successful newcomers to the opera.

Max Loppert

Circus Moon

HALF MOON

This exhilarating piece of wizardry in the concrete hulk of Stepney's Half Moon theatre should be enough to convince even the most ardent detractor that there is nothing more theatrical than alternative circus at its best. Conceived in Edinburgh in 1987 it has developed into a magnificent mix of delicacy and derring-do, of skillfully honed drama and dramatically dressed skills, drawing shards of contemporary culture into a magpie's nest of theatrical treasures.

Anyone who saw the much-hyped French troupe Archaos this summer will be familiar with a circus that takes its images from a film culture, but where Archaos use chainsaws and motorbikes, Circus Moon's performers juggle snooker cues or perform astounding table-top tumbling routines. And whereas I left Archaos with a slightly disappointed sense of having seen top quality packaging rather than top quality circus, Circus Senso's antics leave no room for doubt – the trapeze and the tightrope acts are the real McCoy even if they are performed only feet from the ground – and despite the absence, through injury, of one of their key performers.

The key to the show's success is its profligacy with imagery which at the same time has a definite dramatic mood and structure. A bespectacled hunk draws himself narcissistically up on his trapeze like a yuppie health freak who has discovered a new form of bullworker. The tubby Andre Vincent, all-purpose clown of the piece, quietly repeats the performance for a watching woman with a tiny wooden marionette. This is sophisticated stuff, which creates strands of narrative that are allowed to twist and snap without any sense of strain.

A giant wardrobe becomes a conjurer's disappearing chest in which a trilling operatic soprano is spirited not quite convincingly into thin air and then very convincingly indeed into a plastic wheelie-bin. The wardrobe also has a thematic presence: it is the entrance to the Club of Dreams (sub-title of the show), and by extension a charmed gateway to the fantasy of performance.

John Turner both directs and plays e singing narrator – a moony figure in mac and slouch hat – in a show which exploits every dimension of theatre. The rich lighting of Stephen Watson picks out the jewel-colours of the performers' lycra leotards; the band in the background keeps up a musical medley that ranges from Ian Dury to *Singin' in the Rain*. The segments of the show are shaped by a masked and stilted figure with e grotesque mask who seems to represent all that is unnatural and destructive – whether thet means onanistically fondling a lissome trapeze artist or blowing the stage to a etandstill in a final, shocking portent of nuclear holocaust.

Claire Armitstead

ARTS GUIDE

December 15-21

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).

Jeffrey Bernard Is Unwell (Apollo). Brilliant performance by Peter O'Toole as an alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. (437 2663).

The Good Person of Sichuan (Olivier). Magnificent National Theatre revival by wunderkind Deborah Warner of Brecht's great parable of moral ambiguity about e Chinese prostitute who can only do good by adopting a vicious disguise. If poverty is not combated by political systems, what can an individual's compassion do? Witty new translation by Michael Hofmann. Fiona Shaw leads a fine cast. Dec 19-21, Dec 28-Jan 3, Jan 11-18, Jan 29-Feb 3 (928 2252).

A Little Night Music (Piccadilly). Fine revival by Ian Judge of Sondheim's 1973 version of a Bergman film. A beautiful score, composed mostly in waltz time, is touchingly performed by Lila Kedrova, Dorothy Tutin (her best work in years), Peter McEnery and Susan Hampshire (867 1118).

Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years. Janet Suzman and Sara Kestelman are electrifying in support (867 1116).

M. Butterfly (Shaftesbury). Peter Egan has taken over from Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Gypsy (St James). This 30th anniversary production introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (346 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical which emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays from the past 40 years, including On the Town, West Side Story and Gypsy.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

A Christmas Carol (Goodman). For the 12th year, the Goodman company does its holiday thing, with William J. Norris as Scrooge for the 11th year, but a new director, Steve Scott, and new adaptation by Tom Creamer promise to refresh the familiar. Ends Dec 30 (443 3800).

Tokyo

Kabuki. At the National Theatre (265 7411). *Hokaibo*. Living National Treasure, Baiko, leads a top-rank cast in a lively lowlife piece about a con-man who disguises himself as a priest. At Kabuki-za (541 3131): two mixed programmes, at 11am and 4.30pm, featuring mainly younger kabuki actors. Both theatres have English programmes and earphone commentary. (Visitors to Kyoto should note that there are also all-star kabuki performances this month at the Minami-za Theatre, before its demolition).

Kokunsenya Gassen. New play written and directed by Hideki Noda, loosely based on e famous puppet play by Chikamatsu. An exuberant comic-strip travesty of Japanese myth and history. The verbal humour may be beyond most non-Japanese, but this is nevertheless e most enjoyable production. Ginza Saison Theatre (5478 0771).

Kodo. The spectacular drummers from Sado Island, off Japan's northern coast, pay their annual visit to the capital in an exciting programme of drumming and dance. Theatre Apple, Shinjuku (207 5588) Ends December 24.

Body Wars 2. A science fiction allegory about power, performed by energetic fringe company, Daisan Erotica. Honda Theatre, Shimo-Kitazawa (369 1127).

SALEROOM

Autumn turnovers

Sotheby's and Christie's came clean yesterday, admitting just how successful, in sales terms, they have been in the first half of the auction year, roughly the period from August to December.

Sotheby's had autumn sales of £957.3m, which represents a virtual doubling of turnover compared with the same months of 1988 (the rise is 99 per cent). In dollars, now the trading currency in the international art market, the increase was less amazing but still very impressive, up 72 per cent, at $1.5b. Sotheby's also announced an annual turnover for 1989 of $2.9b.

Christie's turnover in the autumn was £675m, a 70 per cent rise over 1988 in sterling, and in dollars 49 per cent higher at $1.066m. It means that Christie's sales during 1989 topped $2b (£1.3b). The two smaller domestic auction houses also weighed in with annual figures, Phillips recording a gain of 14 per cent at £108.6m, while Bonhams reported 24 per cent more, at £18.7m.

Both tha major bouses stressed the importance of New York as an art centre, with Christie's making £372m ($587m) there, and the one big Impressionist and Modern picture sale on November 14th, of just 68 lots, contributing a record £146m,($232m), which means that almost a quarter of the autumn sales came from just over an hour's work at the rostrum. All told, the burst of *Impressionist through to contemporary* art auctions in New York and London brought in $600m (£380m), underlining just how important the prosperity of this one sector, representing well over a half of sales, is to the well being of the auction houses.

The growth of the dominance New York in the last decade was well displayed in Christie's figures, which showed its global turnover up ten times in ten years (from £125.7m in 1979) and New York doubling its share of the market, from 25.3 per cent to 53.6 per cent this year, while the UK accounted for 35.5 per ceot of sales, as against 57.9 per cent in 1979. The Far East had doubled and the continent halved in importance.

Back in the saleroom Sotheby's sold yesterday in London to the Musée D'Orsay in Paris for £46,200 a tile panel, 64½ inches by 35¾ inches produced by William Morris and William de Morgan around 1876.

Antony Thorncroft

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And now Romania?

FREEDOM IS contagiona. President Nicolae Ceausescu, the Romanian dictator, has long been aware of that. He has taken almost every imaginable step to insulate his country from contagion, and to make himself and his regime proof against external pressure.

Perhaps, long ago, he genuinely believed it was freedom he was protecting – his own freedom of action as leader of a nation which had been reduced to satellite status. He showed his independence by refusing to break relations with Israel in 1967, and condemned the intervention by the rest of the Warsaw Pact in Czechoslovakia in 1968. These gestures earned him support in the West, which cultivated him in mnch the same spirit as it had cultivated Yugoslavia after Tito's break with Stalin in 1948. In both cases continued violation of human rights within the country was largely overlooked. But whereas over time Tito did introdnce a greater degree of internal freedom, Mr Ceausescu worked steadily and unremittingly to concentrate all power in his own hands and those of his close relatives.

In 1982 he discovered that Romania had run up $10.2hn of debt with the West, and it occurred to him that this exposed him to interference from that quarter. He resolved to eliminate the deht completely in the shortest feasible period, and in April this year he announced, more or less truthfully, that this had been done.

Sacrifices

This remarkable turnround was achieved not hy making exports more competitive but hy drastic cnts in hard currency imports, including fuel, and by withdrawing foodstuffs from the domestic market to make them available for export. This has imposed terrihle sacrifices on the population, without any credible offer of better times to come, since imports of capital goods have also been cut. In the words of the Economist Intelligence Unit, "failure to invest in industrial modernisation and *restructuring will affect* Romanian economic prospects throughout the 1990s."

Bnt has this atrategy succeeded in making the regime invulnerable to the tide of democratic change sweeping through the surrounding countries? The latest events suggest not. A mixture of anger, desperation, and the knowledge of what was happening elsewhere in the region, emboldened people to surge through the streets of Timisoara, and possibly other cities, tearing down the posters of the hated dictator and his wife.

Massacre

Predictably the Ceausescus have reacted not like other east European leaders, who with Mr Gorbachev breathing down their necks stopped short of deploying military force against tha people, but like their friends in Peking. A horrihle massacre has resulted, the scale of which is not yet fully clear.

The question now is whether the military and paramilitary forces are prepared to go on being used in this way. Yesterday Mr William Waldegrave, Minister of State in the British Foreign Office, called on these security forces to "represent the true will of the Romanian people and put an end to this regime." That is a highly unusual thing for a member of one government to say about another with which it has diplomatic relations, but in the circumstances surely justified.

Meanwhile the Soviet Foreign Minister has condemned the loss of life, and the US has suggested a "co-ordinated response" of western and Soviet bloc countries, possibly in the framework of the Helsinki process. Certainly the Soviet Union as Romania's main trading partner must be assumed to have leverage if anybody has. Mr Ceausescu's actions are in flagrant contravention of the Helsinki and Vienna agreements. This is a chance for Moscow to show that it takes those agreements seriously. With any lnck events will move fast enough to make formal economic sanctions unnecessary. But the European Community has already applied sanctions of a sort this year, by suspending negotiations on a trade and co-*operation agreement.* Mr Gorbachev could surely be asked to take a comparable step.

Incompetent and evasive

THE DECISION hy the Government to pay out substantial compensation to the victims of the Barlow Clowes crash in May 1988 is on balance to be welcomed, though the change of heart had to be forced hy yesterday's critical report from the parliamentary Omhndsman. Compensation worth some 90 per cent will largely end the misery of some 18,000 mainly elderly savers who were seeking a safe investment but fell hetween the cracks of a radically changing investor protection framework.

However, ths only deft political touch about the decision is that it is has been announced just before Christmas. For the rest, the ungracious official response compounds the sequence of incompetence, evasion and rejection of responsibility which has characterised the Department of Trade and Industry's performance throughout this affair.

In October last year Lord Young, then Secretary of State at the DTI, dismissed claims for compensation in the face of the earlier report by Sir Godfray Le Quesne. That investigation also revealed hlunders by the DTI's Licensing Unit, but Lord Young did not flinch. It could be argued thet the Government is now behaving illogically by offering compensation when it still denies maladministration, or, to quote the original Whitehall jargon, when it claims that the handling of the case was "within the acceptable range of the standards reasonably to be expected of the regulator."

Sophisticated markets

In one sense, the DTI implicitly recognised the inedequacies of its investor protection sections by devising the Financial Services Act 1986, and through it setting up an entirely new structure. This takes in the Securities and Investments Board and the various self-regulatory bodies to which it delegates certain of its responsibilities. Part of the argument for introducing the new framework was tbat career civil servants could not be expected to police the increasingly sophlsticated investment markets. Instead, experienced specialists would be required who would need to be paid at a *market rate* well above public service scales.

The shapelessness of the DTI's bureaucracy is also central to this affair. At the top, it is symbolised by the rapid turnover of Secretaries of State. Down below, the investment supervisors were coming and going in whet was regarded as a low status unit. As with the Le Quesne report, the Ombudsman's study continues to grant anonymity to the individuals involved. The DTI seems unahle eitber to accept collective responsibility or to pin the blame on individuals.

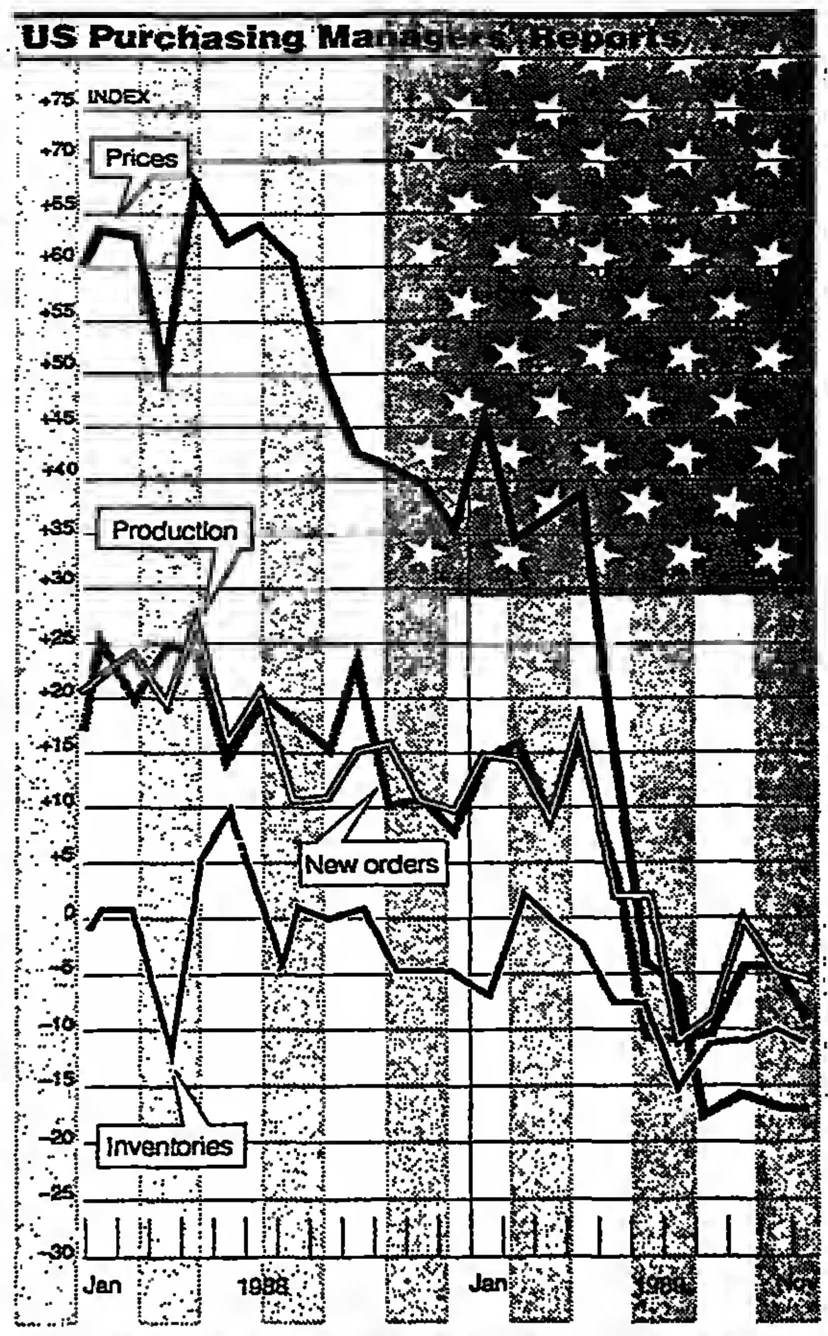
Pursuit in court

If much of this is now a matter of history, there remain some live issues. There is some justice in the Government's claims that at least part of the responsibility for the problems at Barlow Clowes rests with the solicitors and auditors who gave comfort at crucial stages, and with the independent financial advisers who played such a crucial role in collecting funds from the public. Having compensated the investors, the Government will now pursue auch partiee through tbe courts to recover some of its money, and may well be able to do so more effectively than individual investors. Only optimists will believe thet clear-cut lessons will emerge from legal action of this kind. But the behaviour of professional advisers has emerged as an important issue in other cases of financial misconduct, for instance the Blue Arrow affair, and there is a need to clarify *the role of auditors in the* prevention of fraud.

Elsewhere, the Government is right to emphasise that the decision to compensate must not be taken as a precedent. There is no case for protecting investors against their own foolishness. The danger is that official incompetence will blur responsibility and lead to a general clampdown on innovation and choice as a way of limiting risks. Here again, events have moved on with the implementation last year of the SIB's Investors Compensation Scheme. The hope must be thet the Barlow Clowes affair can be seen as an isolated, if expensive, legacy of the old system and that it will not tarnish atti*tudes in the future.*

Anthony Harris sifts through increasingly gloomy US economic indicators

The cheerfulness begins to fade



"I'M BECOMING increasingly concerned about the possibility of a recession. I see things happening out there that should be cause for worry." The speaker is Martha Seger, a Federal Reserve governor who is known as something of a pessimist. For contrast, five leading fund managers interviewed recently in Barron's, the US investment weekly, are all bullish.

They *do not* necessarily disagree with Ms Seger's concerns. "Does [your market view] mean that you discount forecasts of a recession?" one of the managers was asked. "Not at all. In fact, I think it has already begun."

Even this cheerful pessimism is still a minority view – the consensus view still looks for a soft landing. However, the minority is growing, and the cheerfulness is fading. The downturn which has kept retail sales flat and industrial output falling since the summer shows no sign of ending; and for the longer term, there are some disturhing questions about debt and demography.

The evidence of a downturn in manufacturing is consistent and strong. The labour force has shrunk by 165,000 since March; order books – except in the aircraft industry – have been falling since the beginning of the year; profits have fallen by an eighth over the last year; and growth of investment has virtually stopped. The short-term question is whether the still buoyant service sector can keep the whole economy growing.

The motor industry is the hardest hit, though its troubles are competitive as well as cyclical. Some Japanese "transplants" are still growing, and Honda *may* soon replace Chrysler as the third of the Big Three, behind Ford and General Motors. However, sales of US-built cars in *total* are now very weak. They fell to an annual rate of 5.5m at the beginning of December, about 30 per cent below the 1988 level; the rate was 8.3m during the discounting boom of September.

It is supposed that every negative number brings nearer the moment when the Fed will abandon its gradualism

Meanwhile, unsold stocks have risen above the level which led to *lay-offs* at the beginning of the year. Unless demand recovers, car plants would have to close for a month to work off the excess. Lay-offs are already heavy; 115,000 workers at GM and Ford alone will have their Christmas break extended by at least two weeks. No production plans have been announced for the first quarter of 1990 – an almost unprecedented sign, according to Ward's Automotive Reports.

There is some comfort in the "personal truck" market for camping vans, pick-ups and off-road vehicles. This market was invented by Chrysler, and is still dominated by the native industry. Recent sales are only 2 or 3 per cent down from last year. Commercial demand for trucks, however, was 17 per cent down in November compared with 1988.

Retailers are also worried. They are holding heavily discounted sales before Christmas, just as they did in the pause after the stock market crash two years ago; they admit that only a last minute rush will produce a half respectable season. For some groups, burdened with deht after leveraged buy-outs, this may be their last Christmas; Campeau, which borrowed heavily to acquire the Federated and *Allied* stores groups, *has* already spoken openly of the possible bankruptcy of its retail side.

All the same, the consensus forecast – the average calculated by the Blue Chip newsletter – is still for e soft landing in the US, with growth through 1990 only a little below the Federal Reserve estimate of a 2.5 per cent growth potential. The Administration is making still more bullish assumptions for its budget proposals for the 1991 fiscal year, which starts in *October*. These proposals, which will appear next month, assume 2.6 per cent real growth 4th quarter to 4th quarter (which ironically will be easier to achieve if the worst current fears of retailers and the car industry for the current quarter come true). The purchasing managers are even more bullish about 1990, in spite of their depressed reports of current conditions shown in the chart.

This seems to defy both reason and the consensus. But only a minority of private forecasters expects a true recession (two successive quarters of negative growth), and only a minority of that minority seems worried about the longer term. A mild, short downturn would even be welcomed, since inflation has not yet responded to the Fed's careful slow-down.

In the markets, indeed, had news is treated as good news, since it is supposed that every negative number hrings nearer the moment when the Fed will abandon its gradualism. The unspoken subtext is a still widespread belief that lower interest rates will turn the economy round almost instantly. This confidence has largely disappeared, thoogh, in the motor industry and the housebuilding industry, which are both talking darkly of a long, demographic fall in demand.

It is tempting to be sarcastic about this entrenched optimism, hecause the consensus economists who now foresee indefinite growth were until recently pessimists themselves. In 1987, a majority of them expected a recession to start during 1988; in 1988, a rather smaller majority expected it in 1989. It is only human to try to avoid a third embarrassment, and perhaps they have over-corrected.

There is, however, a rationale for this change of view. The forecasters have decided that they had not given sufficient weight to the revolution in inventory management of recent years. *The widespread adoption of the* Japanese "just-in-time" production system has certainly resulted in much more timely adjustments in output, and except in the motor industry the inventory-sales ratio has for some years been falling gently.

Past downturns have *usually* followed a pile-up of unwanted inventories, leading to sharp cuts in output – indeed, there was a mild panic on this account when inventories rose abruptly in the last quarter of 1987. Since the quarter had begun with the stock-market crash, this was horribly suggestive, and the Fed cut rates sharply. However, it turned out that the unsold stocks were imports; when demand softened after the crash, the goods were already at sea.

US industry, by contrast, made a remarkably smooth adjustment in 1987, and, apart from the motor industry, seems to be achieving it again. Despite the standstill in retail demand since July, stocks have barely risen, except in the wholesale warehouses. The optimists therefore have some evidenca for their claim that the old-fashioned inventory cycle has been abolished. That is the rationale for hoping that the downturn can be limited to manufacturing, as it was in the second quarter of 1986.

However, there is another kind of inventory which has not been controlled. Commercial over-building, which was once thought to be a worry mainly in Texas and Colorado, is now seen as general.

In Washington, the area which has seen the most consistent growth in the country, the leading local bank, Riggs, recently announced a virtual shut-down on construction loans; and in less favoured parts of the country the fear of distress sales of savings and loan assets has further depressed the market. On Wall Street there is currently something like panic selling of regional bank stocks, on fears about their real estate exposure.

In these circumstances, a construction slump is only a matter of time; development companies are already cutting their staffs drastically. Activity in other fields is also threatened. The over-leveraged companies created by the buy-outs and buy-ins of the 1980s find that there is no market for the assets they had hoped to sell to reduce their debts, and are cutting employment and inventory instead.

Housebuilding is already depressed, at its lowest level since 1982. Until recently, high interest rates were blamed; but there has been little or no response to easier mortgage rates, and the industry is beginning to face up to the facts of demography. As the National Bureau of Economic Research has shown, population trends suggest that housing demand will be depressed for up to 20 years.

House prices in most places are soft, and with the investment motive for purchase gone, they are likely to fall further. This removes a "free" supply of collateral for loans, and helps to explain the steep fall in demand for consumer loans, which are now growing more slowly than consumer incomes.

This was in any case expected: the rapid growth of recent years was a portfolio adjustment which could not go on for ever. Some forecasters have also projected a large demographic rise in personal saving, reducing consumer spending by up to 5 per cent of income during the 1990s. The demographics of the housing market seem to reinforce this effect rather powerfully in any society in which owner-occupation is the norm, so the rise in saving could be quicker than has been forecast.

The President's 1991 budget proposals will include a plan designed to encourage the rise in savings; perhaps fortunately, it is an attempt to get incentives on the cheap, and is not expected to have any quick effect. The White House claims that its proposals will meet the Gramm-Rudman (phased budget balancing) requirement of a $64bn reduction in the Federal deficit. Even allowing for window-dressing, this is a strongly deflationary proposal. Of course if the pessimists are right, and the recession has already begun, the Gramm-Rudman law will automatically be suspended. Even if growth continues, but falls short of the official 2.6 per cent projection, the actual deficit will overshoot again. Whatever the outturn, fiscal policy will be more deflationary than the numbers suggest since expenditures on goods and services will be progressively squeezed by the savings and loan rescue. The capital cost of the bail-out is now put at least $100bn, and the interest payments on this sum will simply maintain the incomes of depositors.

On top of this, many states with balanced-budget rules are already facing shortfalls in revenue, especially from property taxes, due to the weak real estate market and the growth slowdown. They are cutting expenditures, or raising taxes, or both. The balanced budget laws have no let-out clause for a recession, and can therefore destabilise the economy. They encourage governors to be spendthrift during a boom, and prescribe a squeeze when the economy weakens.

It is hard to quantify all these effects. The new thriftiness of the consumer, which is depressing sales of all durables and not just cars, will probably reduce GDP by at least a percentage point. The state fiscal squeeze is ill-timed, but its impact will be less.

Commercial over-building, once a worry mainly in Texas and Colorado, is now seen as general

The 1991 federal budget is an unknown at this stage: the President's full proposals will only be unveiled next month, and the defence programme is still under debate. There will in any case be a tussle on whether any money saved on defence should go to deficit reduction – the expected White House position – or to urgent work on the infrastructure. If the economy looks bad, Congress may well try to enforce a near Keynesian stabilisation.

What can be set against this gloomy catalogue? First, the fact that up to now the official figures show quite vigorous growth. Second, that sectoral recessions are nothing new: they have marked every stage of the expansion since 1982. Finally, the Fed now seems in a mood to relax; inflation has not dropped, but now owes more to a record-breaking cold spell than pressure of demand.

But other sectors, like the housebuilders, may learn that when interest rates fall because of weak credit demand, no miracles should be expected. The downside risks still look much greater than at any time since the Volcker squeeze was relaxed in 1982.

OBSERVER

No Turks at the gates

■ No subject divides the European Community more than Turkey – not even the possible unification of Germany. Even the present, rather liberal British Foreign Secretary, Douglas Hurd, has been heard to say thet Europe stops where Turkey begins.

And it is true that Article 237 of the Treaty of Rome says only that "any European State may apply to become e member of the Community," which is rather ambiguous in the case of Turkey. Yet one finds the way in which the Turkish application for membership has been turned down dispiriting, to say the least.

What the European Commission is actually saying is: "We don't want you, because yon are Turks." The excuses about there already being enough items on the agenda are thin. The Community would readily deal with applications from other countries, such as East Germany, if it was thought to be politically expedient.

Besides, the Community might make more of Article 238, which says: "The Community may conclude with with a third State, a union of States or an international organisation agreements establishing *an association involving* reciprocal rights and obligations, common action and special procedures." The article says nothing about being European.

True, Turkey has an association agreement already, but one would have preferred the Commission to talk about how it might be accelerated into full membership rather than giving the brush-off. It is an insular kind of clnb that turns down new members.

Duopoly

■ Waddingtons, the games-maker, is taking a strong lins on Monopoly: the game, not the practice. For the first time, *there will be a board based* on a British city other than London, though abroad the honour extends to such places *as Sao Paulo, Paris,* Copenhagen and Dublin.

The new British choice is Leeds, the company's home base. Thus for Liverpool Street, read New Pudsey Station, and for Waterworks, Yorkshire Water. London and Leeds, however, will retain a British dnopoly. The new board is a limited edition designed to help the Leeds Lord Mayor's charity appeal on behalf of the deaf.

Hair in place

■ The scattered ranks of Britain's 180,000 hairdressers are facing up to the challenge of 1992. A disparate group of associations, councils and institutes – including the World Federation of Supreme Hairdressing Schools, the Fellowship of Hair Artists and the Caribbean and Afro Society of Hairdressers – has joined forces in the Single Voice project.

The group has set up a working party "to monitor and investigate all matters appertaining to the hairdressing industry within the European Community." "We need to be united, as they are elsewhere in Europe," says William Woodward, spearheading the campaign. "In France and Germany, they have a single voice. Here, hairdressers are all ploughing their own lonely furrow."

The new body will discuss proposals for harmonising any legislation pertinent to theprofession, such as training. It will also mount a unified attack on improving the profession's image. The campaign will be "political rather than artistic," Woodward assures us.

Woodward, a hairdresser for 40 years, is director of the Martanne La Croix group of *salons based in the Midlands.*

"I'm doing a whip-round for Lord Marshall's leaving present."

The meeting of the 13 hairdressing bodies which set the agenda took place at the CBI Conference Centre in London.

Old Times man

■ An unexpected figure in the background of Lyonnaise des Eaux's purchase of British water shares is Charles Hargrove, who was better known on both sides of the Channel in his days as Paris correspondent of The Times from 1966 to 1982. In those days, some people said that he behaved as if he were the British Ambassador.

Now nearly 68 and still living in Paris, Hargrove has been retained as a consultant by Christine Morin-Postel, Lyonnaise's vice president for international operations, who describes him as "very shrewd."

Hargrove himself is modest about his role in the affair. "I had nothing to do with the financial side of it," he told me yesterday. "My job was to advise on the political drift of things – the Government's plans and feeling on the back benches."

In particular, he advised that a future Labour Government would be "bound to honour at least part of the obligations entered into by its predecessor," and would "not be averse to foreign shareholders in British water companies."

Back to basics

■ Strange tales from Algeria. Two recitals that the Portuguese singer, Linda de Souza, was to have given in Algiers on December 14 and 15 were cancelled after a virulent campaign led by the Islamic Salvation Front (FIS), the largest and by far the most intolerant of the radical Islamic movements in Algeria.

Clerics close to the FIS and the Front's newspaper El Mounquid (The Saviour) campaigned strongly against the "Jewess" whose two recitals were sold out. The evening daily, Horizons, and the weekly, Algérie Actualité, have not been shy in their denunciation of FIS tactics, the latter writing of "rampant fascism."

Meanwhile, the Minister of Religious Affairs, Professor Abderahmane Chibani, a noted eye specialist whose wife is a former French trade union militant, has banned women from sharing offices with men in the ministry.

Since all the secretaries are now confined to one room, many phones no longer answer. Some Algerians are delighted by this state of affairs, which they sees as a return to basic beliefs.

Imperial

■ Notice put out by Burke's Peerage yesterday: "Burke's Peerage will be closed from December 20, the anniversary of the death of Louis Dauphin of France in 1765, and will reopen on January 8 1990, the anniversary of the annulment of the marriage of King Carol *II of Roumania, in 1919.*

Cedric Sandford explores the burden that Britain's fiscal system places on taxpayers and businesses

What it costs to collect tax

It cost the equivalent of over £5bn to collect United Kingdom taxes in 1986-87 – using "collect" in its widest sense. This sum is equal to more than 1¼ per cent of GDP and approaching 4 per cent of total tax revenue. Moreover it is a minimum estimate. It does not include the public sector costs of the courts in dealing with tax cases or parliamentary time in passing tax legislation. It takes no account of the time and effort devoted by private sector trade and professional bodies in preparing tax submissions. Nor does it take account of psychological costs, such as the very real stress and anxiety, felt especially by some of the old and by widows who have never been used to dealing with tax affairs and find them incomprehensible. Allowing for the effect of inflation, the estimated cost for the current year would be around £6bn.

This estimate of the volume of resources required to operate the tax system is one of the main findings of a study* undertaken at the Bath University Centre for Fiscal Studies, just published. The study was financed mainly by the Economic and Social Research Council and represents over a decade of research.

These "operating costs" of the tax system consist of administrative costs (public sector) and compliance costs (private sector). The administrative costs are incurred by Inland Revenue and Customs and Excise, and the part of the costs of the Department of Social Security which arise from collecting national insurance contributions. Compliance costs for individuals include the time and money of meeting the requirements laid on them by the tax system, mostly in connection with income tax, such as filling in tax returns, filing necessary data and perhaps paying a tax adviser.

Even more important are the costs to businesses, which have to collect taxes on their products, such as VAT and excise duties; deduct income tax and national insurance contributions from their employees; and compile the records necessary to pay tax on their profits, whether as schedule D income tax, corporation tax or petroleum revenue tax.

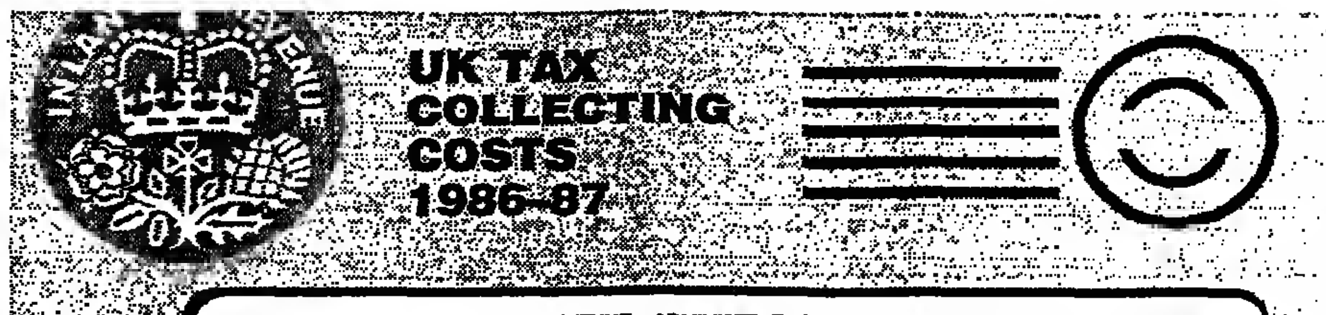
Also included in compliance costs are the special costs incurred by banks and building societies in operating mortgage interest relief at source (MIRAS) and composite rate tax (CRT) and supplying information to the Inland Revenue; and the costs accounted for by trustees in respect of taxes on trusts. The table sets out estimates of administrative and compliance costs for each tax or group of taxes in 1986-87 and also expresses them as a percentage of tax revenue.

Overall, as the table shows, private-sector compliance costs are more than twice the level of administrative costs, and the difference is particularly marked for the big revenue-yielding central government taxes – income tax including national insurance contributions and capital gains tax, VAT and corporation tax.

A cost-cutting government may be tempted to reduce its own administrative costs by placing more responsibilities on business or individuals. Unless it can be shown that such a transfer reduces total operating costs (in which case there is an argument for compensating the private sector) such a move is retrograde.

Compliance costs create more resentment and give rise to more psychological costs than administrative costs; they are less easy to monitor and control; above all, compliance costs are less aquitable. Administrative costs, paid for by taxation, can be assumed to be distributed according to some government criterion about how the tax burden should be spread. This is not so of compliance costs.

The biggest unfairness associated with tax compliance is the disproportionate burden it imposes on small companies. What might be called the regressiveness of tax compliance costs applies in its most extreme form to VAT. The study estimated that in 1986-87 the lowest band of compulsorily registered traders (£20,500-£50,000) bore compliance costs which averaged £7.80 for every £1,000 of goods sold; the corresponding figure for companies with a turnover above £10 million was 3p.



	REVENUE £bn	ADMINISTRATIVE COSTS £m	%	COMPLIANCE COSTS £m	%	OPERATING COSTS £m	%
Income Tax, CGT & NI contributions	65.1	997	1.53	2,212	3.40	3,209	4.93
VAT	21.4	220	1.03	791	3.69	1,011	4.72
Corporation Tax	13.5	70	0.52	300	2.22	370	2.74
Petroleum Revenue Tax	1.2	1	0.12	5	0.44	7	0.56
Excise Duties (hydro-carbon oils, tobacco, alcoholic drinks)	16.5	42	0.25	33	0.20	75	0.45
Minor Taxes (stamp duty, IHT, car, betting & gaming)	4.6	39	0.85	68	1.48	107	2.33
Overall Central Govt.	122.3	1,369	1.12	3,409	2.79	4,778	3.91
Local Rates	15.5	236	1.52	58	0.37	294	1.89
Overall Central & Local Govt.	137.8	1,605	1.16	3,467	2.52	5,072	3.68

This regressiveness is also found in the costs to employers of collecting PAYE and national insurance contributions, in income tax on the self employed, in corporation tax and in some of the minor taxes. The effect is cumulative. Some small businesses experience this regressive effect in respect of three or more taxes. Where small businesses compete with large, the small are being put at a state-created competitive disadvantage. The disadvantage arises because there are substantial economies of scale in the work of tax collection and tax remittance. Small businesses, which have deliberately sought to fill economic niches where economies of scale are nil or limited, are being forced to engage in an activity which disadvantages them compared with their larger rivals.

The picture is not wholly black for business and even for small companies; there can be soma offsetting advantages. Thus some of the small businesses surveyed recognised that the better records they were compelled to keep to satisfy the VAT inspectors brought managerial advantages and might, for example, reduce their accountants' bills for income tax. A larger and more quantifiable offset to businesses arises from the cash flow benefit from collecting taxes such as VAT or PAYE income tax, which may legitimately be held for a period before being remitted to the revenna authorities. For the biggest companies, the value of this benefit often exceeds the complianca cost, especially when interest rates are high. The small firm, however, is left with a substantial net cost.

How reliable are these figures? The estimates of administrative costs are almost wholly drawn from official sources. Measuring compliance costs is more difficult. In the study, data on compliance costs is based on four large-scale sample surveys covering VAT, personal income tax (including capital gains tax), the costs to employers of collecting PAYE and national insurance contributions and corporation tax. Other taxes were covered by smaller surveys or by estimates based on analysis of the processes required to comply and discussions with those who had to administer and comply with the tax.

The estimates for excise duties, the minor taxes and local rates are more speculative than those relating to the major central government taxes which were the subject of surveys, but the latter taxes yielded 82 per cent of central government revenue and (if the estimates are approximately accurate) generated some 95 per cent of total compliance costs. The accuracy of the total estimate rests fundamentally on the validity of the surveys.

The surveys were undertaken with the full co-operation of Inland Revenue and Customs and Excise. As a result it was possible to draw the samples from the best possible sources (although by procedures which ensured confidentiality and anonymity). Thus, for example, the sample of VAT traders was drawn from the VAT register. Thus it was possible to ensure that the sample of businesses was representative in terms of size and economic sector.

Of course, no-one would maintain that the estimates are accurate to the last digit. But they would have to be very wide of the mark to gainsay the main findings. The authors are confident that this is not the case.

What, then, are the main policy conclusions? Let us concentrate on those relating to compliance costs which, in the past, have been the neglected area. The conclusions can be conveniently grouped under four heads: recognition, allocation, minimisation and compensation.

● **Recognition.** The starting point of any policy on compliance costs is an explicit recognition of their importance – an importance which derives both from sheer size and from their distributional effects. As a matter of course, compliance costs should be taken into account, along with other considerations, in every decision on tax policy. In fact the United Kingdom government has gone further than almost any other country in the recognition it has given to compliance costs in its statements. For example, compliance costs figure in its deregulation white papers and are explicitly mentioned in the Taxpayers' Charter issued in 1986.

Yet there remains some way to go. The ideal would be a tax cost budget, published as part of the Budget Statement, which included a quantitative estimate of both the administrative and the compliance costs of projected tax changes. The difficulties of estimation are obvious, but if the attempt were made, growing experience and the ensuing development of more sophisticated techniques would, as with the estimation of the revenue effects of tax changes, bring increasing accuracy.

● **Allocation.** Because of the transferability of operating costs, the division of responsibilities between public and private sector arising from an important tax change should be a matter of most careful consideration. As we saw, where total operating costs are the same, there are strong arguments for placing more cost on the administration and less on the taxpayer. The United Kingdom government and its revenue departments have not been immune to the temptations to do the reverse – to reduce administrative costs at the expense of compliance costs. To taken one example from each of the revenue departments: Customs and Excise have cut back on educational visits to VAT traders – forcing them to rely more heavily on (expensive) accountancy services; and a trivial but very clear example is the decision of Inland Revenue to cease sending stamped addressed envelopes with tax return forms, leaving the cost of postage to the taxpayer.

● **Minimisation.** Clearly, one objective of policy along with others, should be to minimise compliance costs, especially for small businesses. Some important measures to this effect have been taken by the government; but the need is continuous and the scope immense – it ranges from simple measures such as the provision of information and advice and improving the comprehensibility of tax literature to major issues of the stability of tax legislation and the simplicity of the tax structure.

● **Compensation.** Where compliance costs represent a particular burden which is not susceptible to reduction, there could well be a case for compensation. This is most generally true of the disproportionate burden faced by small businesses.

There are many possible ways of offsetting the competitive disadvantage the tax system imposes on small businesses. One simple compensation mechanism already exists – the cash flow benefit, in relation to VAT and PAYE the United Kingdom could adopt the practice, prevalent in some other countries, of having differential payment periods, with larger companies being required to make VAT and PAYE payments to the Exchequer more frequently than smaller companies.

Circumstances in which direct financial compensation should be paid by the state must always be limited. But there are some which call for more sympathetic treatment. Thus, for example, there is a strong moral case for compensating the taxpayer who emerges innocent after having suffered the expense and stress of an in-depth investigation. There is also a case for providing compensation, at least for the temporary expenses, in those cases where total operating costs are reduced by passing over to the private sector duties hitherto carried out by the public sector.

The author is Professor Emeritus of the University of Bath and was formerly the Director of the Bath University Centre for Fiscal Studies.

**Administrative and Compliance Costs of Taxation, Cedric Sandford, Michael Godwin and Peter Hardwick, Fiscal Publications, Old Coach House, Fersfield, Perrymead, Bath, £40.*

LETTERS

Britain's interest in Hong Kong's ongoing success

From Mr Michael Pattison.

Sir, Research by Hong Kong University in the property and construction sector adds an extra dimension to your report (December 18) on the intentions of Hong Kong professionals.

The research, in a report as yet unpublished, shows a big change in attitude among Hong Kong's 1,250 chartered surveyors following the Chinese army's use of force against demonstrators in Peking's Tiananmen Square in June. The number of those who had "no intention" of emigrating dropped from 44 per cent before the massacre to 11 per cent after. However, if offered the assurance of UK right of abode as a fallback, an overwhelming 85 per cent would wish to stay in Hong Kong and only emigrate "if the situation turned critical." The same report confirms that property and construction make a contribution to the Hong Kong GDP equal to that of manufacturing.

We do nothing for our reputation nor for our self-interest by allowing some of our politicians to capitalise on latent British racism in setting the agenda for discussion on this crucial issue. We are returning the territory of Hong Kong to China. We probably have no right to return Hong Kong people to Chinese rule but, having decided to do it, we must make every possible attempt to leave in place a vibrant economy. That can only be achieved by giving key people in the economy the confidence to stay.

Then we must show China the advantages of joining the international economic community and introducing a populist, democratic system for electing future governments.

The continuing economic success of Hong Kong can be as valuable for Britain as for China.

Michael Pattison,
The Royal Institution of Chartered Surveyors,
12 Great George St,
Parliament Square, SW1

Scotland wants to be considered normal member within EC

From Winifred Ewing MEP.

Sir, In "A political time bomb," James Buxton – writing in your Scotland survey (December 15) – unfairly dismisses the results in Scotland of the June European elections. In that contest, the Scottish National Party won 25.7 per cent of the vote. Under a system of proportional representation – in which electors realise that votes for the party they prefer bear significantly on the outcome – the SNP would have attracted even more votes.

In the assertion that "Scotland is little different from other outlying regions of Britain" lies the kernel of the outsider's erroneous perception of Scotland. Scotland is not a region, but an equal partner with England under the Treaty of Rome. Sadly, this has been a partnership of Jonah and the whale.

The events now taking place in eastern Europe remind the Scots that self-government is the norm. A clear majority here want Scotland to be a normal member country of the European Community.

Winifred Ewing,
President,
Scottish National Party
52 Queen's Drive,
Glasgow

Credit card fees must be viewed as implicit admission of failure

From Mr Matthew Topham.

Sir, The credit card companies have communicated their views on card fees so effectively that they are now accepted as fact. David Barchard ("Lloyds takes plunge," December 9) repeats the myth that card holders who pay their accounts in full each month are subsidised by those who borrow.

I have always understood that the commission charge to retailers exceeds the financing cost over the normal account period and that with an efficient operation there is a reasonable margin of profit. The interest rate on borrowing is high because it is very high risk lending with no security against a weak credit reference. All the companies' bad debts have to be allocated against the borrowing class of user.

If Lloyds now feel that they have to charge all account holders a fee in order to maintain their operations, they are implicitly announcing either that they can no longer run an efficient transaction processing service or, more probably, that their portfolio of borrowers has gone out of control.

Matthew Topham,
49 St Fabians Drive,
Chelmsford,

Britain trying to do the impossible with capital exports and deficit

From Diane Abbott, MP.

Sir, Samuel Brittan ("Bogey of the basic balance," December 14) echoes the views on capital flows presented by the Government and its advisers to the Treasury and Civil Service Committee in its hearings on the Autumn Statement. Unfortunately they are wrong.

In a letter to me earlier this month, Sir Terence Burns, the Treasury's chief economic adviser, admitted formally for the first time that: "As part of the detailed figuring underlying the published forecast we do look carefully at the capital account [of the balance of payments], and . . . this forms an important part of our overall assessment of monetary conditions. It therefore remains extraordinary, and undermines the ability of the House of Commons to do its work, that the Treasury refuses to publish figures for examination by the Treasury Committee which form an "important part" of the government's projections. This makes a mockery of parliamentary supervision in examining economic policy.

Mr Brittan's and Sir Terence's arguments on the distinction between long-term and short-term capital flows are essentially the same, but invalid.

The crucial issue is the determinants of the capital flows; that is, the factors they are sensitive to and the degree to which they are affected by interest rates.

The outflow of portfolio capital at a rate equivalent to 6 per cent of GDP in the first half of 1989 requires (to avoid devaluation under conditions of a current account deficit) a counterbalancing capital inflow equivalent to 6 per cent of GDP. This was accounted for, in the first six months of 1989 by net international borrowing by UK banks equivalent to 3 per cent of GDP and net international borrowing by other sections of the private sector equivalent to a further 3 per cent of GDP. The portfolio outflow, reflected in the basic balance therefore puts upward pressure on interest rates – thereby cutting domestic investment and increasing recessionary pressures.

It is absurd for Britain to attempt to be a major exporter of portfolio (or direct) capital in conditions where it is running a large current account deficit. No other major economy in the world attempts to do so.

There are two types of relatively coherent international orientations which can involve a substantial imbalance in the current and capital accounts of the balance of payments. The first is to generate a large current account surplus and be a large exporter of capital, a course followed by West Germany and Japan. The second is to run a large current account deficit and to be a large importer of long term capital – a benign case in an undeveloped country and a malignant one in the case of the US.

Britain, however, is attempting to do the impossible – to run a large current account deficit and to be a larger exporter of portfolio capital; that is, to be a large capital exporter on the basis of borrowed money.

The inevitable result is the extremely high interest rates we are now experiencing. Far from being irrelevant, the increasing deficit in the basic balance creates constant upward pressure on interest rates – with damaging consequences for the domestic economy.

Diane Abbott,
House of Commons,
Westminster

FINANCIAL TIMES
Wednesday December 20 1989

EC and Efta agree timetable for treaty negotiations

By David Buchan in Brussels

THE GREEN LIGHT was given yesterday for negotiations to start in the first half of next year aimed at allowing goods, services, labour and capital to flow freely between the 19 countries of the European Community and the European Free Trade Association.

Foreign ministers of the two blocs agreed that negotiations to create a European Economic Space (EES), a market of 350m people, should be concluded as rapidly as possible, though even on timing the two sides could not quite agree.

Mr Frans Andriessen, the EC Commissioner for external policy, warned Efta might be putting "too many constraints" on the negotiations by urging that the talks finish by the end of 1990. The important deadline, he said, was for a treaty to be concluded and ratified by the start of 1993, when the Community is due to finish its own single market programme.

However, he was encouraged by the fact that both sides had been able to identify clearly the problems – of which reaching EES decisions by consensus was the biggest – and had indicated their political will to overcome them.

Mr Jon Hannibalsson, Foreign Minister of Iceland, current Efta chairman, said: "We would not be satisfied in accepting passively *faits accomplis* (by the EC). New regulations and laws covering the EES should be the result of equal participation."

The aim is to extend to Efta the free flow of goods, services, capital and people, which the 12 are in the throes of establishing among themselves. In this process, Brussels will be asking Efta countries to accept much of EC rules on competition, public procurement and technical standards.

The thorniest political problem will be how to take EES decisions in a way that leaves the EC's cherished autonomy to take its own decisions, but satisfies Efta states that they are not being reduced to passive satellites of Brussels.

BRAZIL'S PRESIDENT-ELECT PONDERS INAUGURATION DATE

Victorious Collor may bide his time

By Ivo Dawnay in Rio de Janeiro

PRESIDENT José Sarney of Brazil has let it be known that he would offer no resistance if his successor, Mr Fernando Collor de Mello, insists on taking office before March 15 – the official inauguration date.

But the victor in Sunday's election is understood to be reluctant to take up the offer, preferring to use the interim period to prepare his own government.

Mr Sarney, who has until now vehemently defended completing his mandate, has been under growing pressure from political enemies and allies to give way.

Many economists believe it will now be hard for his lame-duck government to keep the lid on the rapidly deteriorating economy. Unofficial reports yesterday suggested the inflation rate in December will exceed 50 per cent.

Mr Collor's advisers, however, have apparently underlined to the President-elect the value of taking his time, not least for the political advantages to be gained from delaying the handover.

An early inauguration would require the approval of Congress – a vote Mr Sarney has now declared he would not resist.

But many in the Collor team privately say that there must be a further deterioration in the economy before the conditions are right to implement the tough package of emergency measures under preparation. Some planned measures have been leaked of the package which will emerge immediately after the inauguration. They are said to include the dismissal of 20,000 civil servants and a rapid start to comprehensive land reform.

Friends of the President-elect say that he will take dramatic steps to right the economy immediately on taking office, counting on Congress to give its approval on the basis of his *substantial popular mandate*.

As his economic team met in Brasilia, the Supreme Electoral Tribunal continued to count the final votes from Sunday's poll. With just under 92 per cent of the ballot counted, Mr Collor, the centre-right candidate, had won 32.2m votes and his socialist opponent, Mr Luis Inácio Lula da Silva, 29.6m. *The vast majority of votes still* to come are believed to be for Mr Collor.

Protests continued yesterday among some of Mr Lula's supporters over an eve-of-poll news broadcast by the Globo television network that allegedly gave more time and favourable coverage to Mr Collor.

There is also widespread anger on the left at the action of bus company owners in several big cities who attempted to make voting more difficult *for the socialist's supporters* by withdrawing services.

However, Mr Lula was expected to concede defeat in a press conference due to be held yesterday evening in São Paulo.

Mr Lula's aides are attributing the loss of the contest to a failure to get out the São Paulo vote – the largest electoral area – and the reluctance of the social democratic centre to back their candidate.

Mr Collor, who towards the end of the campaign adopted a fiercely anti-communist tone, is now attempting to woo this substantial segment of the population, many of whom regard the President-elect as having an aggressive, hypocritical and even unbalanced personality.

Many were shocked in particular by his decision to use in television propaganda the bitter testimony of the mother of a child of Mr Lula's, born out of wedlock. She had attacked the leftwinger for urging her to have an abortion and for alleged racism.

In an attempt to heal wounds from what was, on occasions, a vicious and underhand campaign, a close aide of Mr Collor told reporters yesterday that the new government would be social-democratic in character with its highest commitment to improve the lot of the poor.

There have also been reports of overtures to the Catholic church; the bulk of which backed Mr Lula, to support a government of national reconciliation.

President-elect Fernando Collor de Mello: prefers to use the interim period before taking office to form his own government.

Investors with Clowes win £150m bail-out

By Richard Waters in London

THE 18,000 investors caught up in the collapse of the Barlow Clowes investment group are to receive up to a total of £150m in compensation in an unprecedented government bail-out.

Virtually all the investors will get back 90 per cent of their money plus compound interest since the date of the collapse of the group 18 months ago.

News of the payment, which brings to an end campaigning by the mainly elderly investors, many of whom stood to lose most of their life savings, followed the publication yesterday of a highly critical report by the Parliamentary Ombudsman, Sir Anthony Barrowclough, into the DTI's handling of the Cheshire-based group over 13 years.

The Ombudsman accused the Department of "significant maladministration" over it handling of the Barlow Clowes affair in his 170-page report.

This included allowing Barlow Clowes to operate without a licence for 10 years and later issuing a licence when the DTI had concerns about the group. The Ombudsman criticised "the lack of a sufficiently rigorous and inquiring approach."

Announcing the payment Mr Nicholas Ridley, Secretary of State for Trade and Industry, said that the government did not accept the Ombudsman's main findings, and that it did not accept legal liability. However, he pointed to "a number of unusual features which taken together distinguish this case from other business failures" and justified the compensation.

These included the inadequacy of the regulatory machinery before April 1988, when the Financial Services Act was introduced. Mr Ridley added: "It is also true that a large number of investors, many of them elderly, have suffered hardship."

The payment to investors, due in February, is far more generous than most of those close to the affair had expected. It covers all investors in both the offshore and UK-based funds, and is expected by the liquidators who will be administering it to cost £150m-£170m.

The government indicated yesterday that it expected to recover much of this, partly by suing advisers and others who could be held liable.

Investors who accept will have to assign any rights they have in relation to Barlow Clowes to the DTI. This includes rights to the £30m already controlled by the liquidators of Barlow Clowes International, the group's Gibraltar-based fund, and the further £25m-£35m the liquidators expect to recover.

The only means to recovering the £100m or so shortfall will be through legal action against others involved in the affair. Those whose involvement has already been studied by the joint liquidators with a view to assembling a legal case include auditors and reporting accountants, including Spicer & Oppenheim and Touche Ross; lawyers, including Herbert Smith; bankers, including Midland and Lloyds; and financial intermediaries who recommended investment in Barlow Clowes.

Responsibility clouded, Page 8; Editorial comment, Page 14

Secret Peking trip angers US Congress

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush's policy of keeping open high-level contacts with the Chinese leadership has come under renewed fire from congressional leaders and a former US ambassador to Peking.

Controversy over the visit to Peking 10 days ago by Mr Brent Scowcroft, the President's National Security adviser, and Mr Lawrence Eagleburger, the deputy Secretary of State, has been increased by the disclosure that the two officials made a secret trip there in July, a month after the massacre of protesters in Tiananmen Square.

Senator George Mitchell, the Democratic Majority leader of the Senate, said the visits made "a mockery of our profession of concern for human rights". He called for full disclosure of the Administration's contacts with the Chinese leadership.

The Administration will now find it more difficult to head off additional sanctions against China when Congress returns in just over a month.

The July mission has provoked particular criticism since the Administration had just announced suspension of high-level exchanges between the two countries.

These included the cancellation of a trip planned by Mr Robert Mosbacher, the Commerce Secretary. The White House was yesterday drawing a distinction between public exchanges (suspended) and contacts between governments (continued).

The White House has said that in July Mr Scowcroft and Mr Eagleburger personally explained to the Chinese leadership US "shock and concern" over the violent crackdown.

President Bush has been unrepentant about ordering the visits, saying that his critics would have to be patient and wait and see how the Chinese leadership responded.

The critics were strengthened yesterday by an article in the Washington Post by Mr Winston Lord, ambassador to Peking from 1985 until earlier this year.

Mr Lord described the most recent mission as a "misguided step".

In the article, written before the disclosure of the July mission, Mr Lord said: "One does not shore up the long-term foundations for Sino-American relations by appearing weak to China's leaders and callous to the Chinese and American people.

"One does not earn respect abroad by reversing field within months and practising double standards."

Mr Lord argued that, even on its own terms, the mission was "severely misguided" since it undermined "closet moderates" within the Peking leadership.

"Far from strengthening their hand, the administration has robbed them of the argument that Chinese repression and xenophobia entail costs. Japan, Europe and others will feel free to follow the Scowcroft trail."

UK to offer refuge for 225,000 from Hong Kong

Continued from Page 1

to opt – at least officially – for a second, slightly lower, estimate of about 50,000 heads of household.

Senior Whitehall officials said last night that by announcing that figure – and sticking to the same overall total of 225,000 – Mr Hurd could guard against an underestimate of the number of dependents per household.

Today's announcement comes after a week of intense lobbying against any such scheme by prominent Conservative MPs and a hour-long discussion yesterday by the Cabinet on the details of the proposals.

Several senior ministers are understood to have expressed concern about the size of the potential rebellion and Mr Nicholas Ridley, the Trade and Industry Secretary, was said to have spoken against any such legislation.

Those concerns are thought to have persuaded Mrs Margaret Thatcher, the Prime Minister, against setting down a firm timetable for the legislation, *although Mr Hurd* is thought to favour the introduction of a Bill in the current session of parliament.

His statement today will be followed early in the new year by an intense ministerial campaign to persuade backbench MPs to support the policy.

They will argue that the package is essential to prevent an accelerated flight of the most skilled and essential workers from the colony and that it will not involve a massive influx into the UK.

Mr Hurd's view is that the issuing of passports will encourage those people to stay in the colony in the knowledge that they have an "insurance policy" on which to fall back if China does not live up to its obligations.

Under the points system to be introduced by the Government, about two thirds of those likely to qualify will be in key private sector jobs with the remainder in the public service.

Points will be awarded on the basis of a number of criteria ranging from the extent of an individual's links with the UK to educational qualifications and the person's position in a particular company or government department.

Mrs Thatcher, speaking in the House of Commons yesterday, emphasised the Government's duty towards civil servants in Hong Kong and towards providing assurances for key workers upon whom the colony's prosperity depended.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	15	59	Dubrovnik	C	15	59	Malta	S	21	70	Rhodes	S	17	63
Algiers	F	18	66	Edinburgh	S	2	36	Manchester	F	3	37	Rio de J'o	–	–	–
Amsterdam	R	7	45	Faro	S	16	64	Manila	–	–	–	Rome	C	18	66
Athens	S	18	64	Florence	C	18	64	Melbourne	S	23	73	Salzburg	R	8	46
Bahrain	S	18	64	Frankfurt	F	9	48	Mexico City	Fg	C8	24	San Francisco	S	7	45
Bangkok	18	–	–	Funchal	R	17	63	Miami	S	21	70	Seoul	S	8	46
Barcelona	S	16	61	Geneva	S	11	52	Milan	C	12	54	Singapore	F	29	84
Beirut	–	–	–	Gibraltar	S	18	64	Montreal	Sn	-19	-2	Stockholm	F	4	39
Belfast	S	1	34	Glasgow	S	-2	28	Moscow	C	2	36	Strasbourg	C	17	62
Belgrade	S	19	66	Guernsey	F	8	46	Munich	F	8	46	Sydney	S	25	77
Berlin	F	12	54	Helsinki	R	3	37	Nairobi	F	23	73	Taipei	–	–	–
Biarritz	F	16	61	H. Kong	C	18	64	Naples	C	19	66	Tangier	F	18	64
Bombay	S	30	86	Innsbruck	–	–	–	Nassau	–	–	–	Tel Aviv	S	17	63
Bordeaux	F	14	57	Inverness	S	1	34	New Delhi	S	34	94	Tenerife	S	22	70
Brussels	24		Un	Islamabad	–	–	–	New York	S	-7	19	Tokyo	S	7	45
Budapest	F	16	61	Istanbul	S	14	57	Nice	S	18	64	Toronto	C	-11	12
B. Aires	cl	27	80	Jakarta	–	–	–	Nicosia	–	–	–	Tunis	F	20	68
Cairo	F	21	70	Jersey	–	–	–	Oporto	C	14	57	Valencia	F	16	61
Cape Town	F	21	70	Jo'burg	–	–	–	Oslo	S	4	39	Venice	S	14	57
Caracas	–	–	–	Lima	–	–	–	Paris	F	10	50	Vienna	C	15	59
Casablanca	S	20	68	Lisbon	F	17	63	Peking	Sn	-4	25	Warsaw	F	14	57
Chicago	Sn	-12	10	London	C	7	45	Prague	C	9	48	Washington	S	-8	18
Cologne	F	11	52	Los Angeles	C	13	56	Reykjavik	S	-11	12	Zurich	F	9	48
Copenhagen	C	8	46	Luxembourg	R	7	45								
Corfu	S	19	66	Madrid	F	11	52								
Dallas	C	-2	28	Majorca	S	16	64								
Dublin	S	3	37	Malaga	S	17	63								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Delay in IMF agreement with Poland

Continued from Page 1

of intent.

Even if Mr Mazowiecki were to approve the text by the end of the week this would leave little time to arrange the loans which Poland needs by January 1 for the programme to start.

However, the reasons for the unexpected delay in signing the letter of intent are not regarded as fundamental by IMF officials in Washington.

Officials say there are aspects in the draft letter which must be reviewed by *both sides* and this might take a few days. The delays are described as "procedural."

But the IMF and Poland are said to be "getting pretty close" and an agreement is still possible before January.

Meanwhile, the Polish Parliament is working at breakneck speed to pass a mass of legislation and next year's budget by the beginning of the year.

● Polish authorities have given a licence to the first foreign banking operation in the country since the Second World War.

The American Bank in Poland, a joint venture with 80 per *cent of the $7.2m initial* capital in Western hands, yesterday said it would soon be operational. Mr Witold Sulimirski, formerly of the Irving Trust Company in New York, described the venture as "a merchant banking operation which would concentrate on attracting Western capital to Poland."

Some 30 Western banks have expressed an interest in joint ventures in Poland and about five are expected to win licences.

THE LEX COLUMN

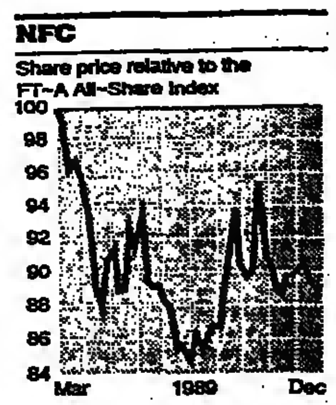
Another fine mess from the DTI

In human terms, the Barlow Clowes affair is such a sorry tale that the Government's decision to compensate its victims can only be right, whatever electoral motives lie behind it. But there are two false notes. One is the DTI's attempt, in 20 pages of sophistry with which it rejects the Ombudsman's findings of maladministration, to rewrite the principles of investor protection. The second is the suspicion that the whole affair could happen again.

The DTI's central contention is that regulatory authorities should never be held liable for damages, even if the grossest negligence is proved. After all, the Financial Services Act gives self-regulatory organisations, such as The Securities Association, legal immunity. But as the County NatWest saga demonstrated, these days the City's self-regulation is a very tough and public affair; and that can apply to SROs themselves. You may not be able to sue an SRO, but its officers have a pretty short life expectancy if they get things badly wrong. In Whitehall, on the other hand, even the offending officials' names are secret; giving the Government total legal immunity would mean the public would have no redress *at all against wrongful* decisions.

As for Barlow Clowes, legally the FSA's provisions should prevent a recurrence. The problem is the human factor. If something was rotten in the DTI, it was not so much obsolete anti-fraud legislation as the people and the system responsible for administering it. Nine months before Mr Clowes's empire collapsed, a policeman from the Greater Manchester drugs squad told a DTI official that Barlow Clowes was said to have shipped £1m abroad in chartered jets. Similar tales of the DTI's sluggish response to warnings from the City amply justify the Ombudsman's finding that the DTI lacked "a sufficiently rigorous and enquiring approach." The corollary is that picking the right people to be regulators and getting the right inquisitive culture matters just as much as a legally elegant investor protection system.

NFC



It is easy to pick holes in *NFC's latest annual profits* announcement. Strip out a £5m saving on pension contributions, £7m of loss elimination and a more than doubling in the contribution from property profits, and the £23.1m rise in pre-tax profits does not look so spectacular. Indeed, NFC's profits are not much different from its best guess almost a year ago. But while it does have the benefit of a handsome property cushion with which to smooth its profits progress, it is a brave move when a company in one of the most sensitive areas of the economy indicates that it intends to grow its profits more than twice as fast as the market average in the coming year.

NFC is more diversified than many of its competitors, its productivity is better and it is benefiting from its growing overseas businesses. Nevertheless, it has its problem areas. Its travel business is losing money, its truck rental side is a good barometer of the slowing UK economy and it has yet to solve the problems of overcapacity in the cold storage business. However, NFC's strength in areas like food distribution, property development and a strong balance sheet should provide this year's profits growth and justify its continued premium rating both to the market and the sector. It is easy to dismiss this example of worker participation as a gimmick, but if British Rail were ever to be run like NFC, the Government's problems would vanish.

Art

The bulls have held sway in the art world for so long that it is not surprising that some commentators have started to call the top of the market. Yesterday's sales figures from Christies and Sotheby's illustrated just how strong the *growth has been.* Autumn sales rose by 70 per cent at the former and doubled at the latter in sterling terms. Since 1979, Christies' annual sales have increased tenfold.

There have been signs that prices in the Impressionist and contemporary art markets may have started to level out, after their recent phenomenal growth. But the few recent sales disappointments seem to have been caused by overenthusiastic estimates from the competing auction houses rather than a dearth of buying interest. The big sums paid for Van Goghs may capture the headlines but a hint of realism at the top end of the market would not necessarily signal the death knell for the rest. There are plenty of sectors, such as sculpture or Old Masters, which have room to catch up with the moderns, rather as regional UK house prices eventually track those in the capital.

The key to the strength of the art market is the breadth of the buying interest – for every Australian financier that drops out, there is a Japanese industrialist or insurance company ready to fill the breach. Only a worldwide recession, which might push the wealthy into more liquid assets, might threaten the entire art market. Even then, there are still areas of the world – South East Asia, Latin America – where the newly rich will be seeking status symbols.

Standard Chartered

It is no great surprise that Standard Chartered has been the worst performing UK bank share over the last year. While the sector has done better than the *market for the first time in* a long while, Standard has underperformed by 13 per cent, mainly because it always seems to be running so fast just to keep still. The sums raised from the recent string of property *disposals* have been disappointing; and although yesterday's agreement with Westdeutsche Landesbank marks an end to the period of major asset sales, there is the nagging worry that the group could still do with more capital.

A risk asset ratio of 11 per cent will no longer look so respectable once Standard Chartered catches up again with its peer group in respect of extra Third World debt provisioning. However, Standard would find it hard to justify another rights issue and a cut in the 8½ per cent yield would be bad for investor morale. The *only consolation for shareholders* is that the cleaner the balance sheet, the more vulnerable the bank becomes to a bid; and this is something the authorities would almost certainly welcome.

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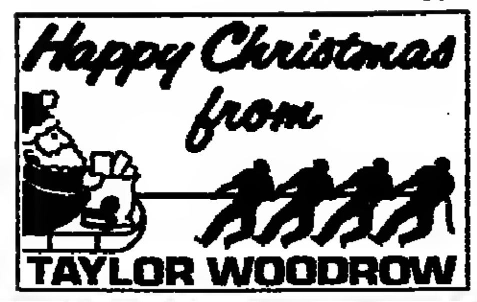


INSIDE

Challenger wastes no time

No one could accuse New Zealand's Fletcher Challenge of wasting time. No sooner had it topped Metsä-Serla's offer for UK Paper than it was claiming victory in the bid battle. Its £299m cash offer having failed to entice the Finnish group to improve on the £263m bid it made last month, Fletcher Challenge bought more shares in the market, to take its stake in UK Paper to about 42 per cent. With the addition of acceptances from the board and management, it claims to have more than 50 per cent. Maggie Urry reports. Page 22

Spanish tempers fly

Dignity and composure. The Spanish banking industry has come close to losing both in the unseemly scramble for control of Banco Bilbao Vizcaya, following the sudden death last week of one of its co-presidents, Mr Pedro Toledo (left). The 1988 merger between Banco de Bilbao and Banco de Vizcaya looked an ideal marriage. But Mr Toledo's death has shown up just how deep has been mistrust – and how little has been the progress made in integrating the two banks. Peter Bruce reports. Page 20

Challenge born of opportunity

Ten years ago, US bankers and brokers talked almost messianically about globalisation. Capital barriers would fall, there would be seamless 24-hour trading across time zones and full-service institutions would serve farmers in Iowa and car workers in Osaka. But the reality has turned out to be somewhat different. Globalisation is still in its very early stages and there has been a significant change in the rhetoric. Then, globalisation was seen in the US as an opportunity; now, it is an urgent challenge. Page 21

Hate thy neighbour

They have the sports cars, enjoy foreign holidays and are even considering building their own golf course. Yes, there's no shortage of cash in the Japanese village of Ogata. Rice, the gift from the gods in Japanese legend, has brought riches to some of the country's wealthiest farmers. But the community is split into two warring factions, whose members trade insults if they meet in the street. Neighbours refuse to speak to each other. Their children fight at school. Mr Seiki Miyata, the mayor, has the support of half the village while the other half is suing him in court. Stefan Wagstyl explains why. Page 24

The 12-month Viennese whirl

In Vienna they devour a Sachertorte, with a helping of Schlagobers. As Christmas approaches, books on the Austrian bourse are just about closed. The trading hall is quiet. But brokers can take satisfaction from a year that has seen the exchange's index rise 98 per cent, compared with only a 17 per cent increase in 1988. Judy Dempsey looks back at the year and assesses prospects for 1990. Page 36

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)							
Rises				Concept SA	384	+	14.2
Commerzbank	279.5	+	5.5	De Dietrich	2121	+	91.8
Daimler-Benz	690	+	8	SAT	1683	+	65.5
Dresdner Bk	406.5	+	2	Simco	825	+	19.6
Metallgeschaft	547	+	14	**Falls**			
Siemens	651.9	+	7.1	Ingenico	141	–	6.3
Volkswagen	509.5	+	11.5	3		–	
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
AMR	59 1/8	+	1 7/8	Daito Wool Spin	1430	+	120
Du Pont	123 5/8	+	1 1/4	Dowa Mining	1540	+	200
IBM	94 7/8	+	1 1/4	Iwata Air Comp	2200	+	190
Falls				Mitsubishi Gas	1070	+	92
Bk of New York	37 1/2	–	1 1/8	Nippon Mining	1190	+	130
Texas Air	11 5/8	–	1	Yuasa Trading	1470	+	130
Walt Disney	121 3/4	–	4 3/4				
PARIS (FFr)							
Rises							
Bplp	400	+	13.4				

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Anglian Water	148	–	13
ASDA	109	+	1 1/2	Bass	1046	–	17
Chiltern Radio	285	+	15	Cable & Wire	518	–	12
Broadwell Ld	206	+	17	Crown Comm	264	–	10
Saga	293	+	63	Hawker Sidd	691	–	8
Sainsbury J	269	+	3	Racal Elect	239	–	5
Stand Chart	549	+	6	Reuters	1028	–	25
Unigate	322	+	4	Trafalgar Hse	348	–	11
Wellcome	762	+	7	UK Paper	367	–	11
Falls							

Spotting the real spider in the web

George Graham looks at the financial network being built up by France's Suez group

Compagnie Financière de Suez has been working on a complicated jigsaw for some time now. But this week a few more pieces have fallen into place – bringing a clearer idea of how the finished puzzle will look.

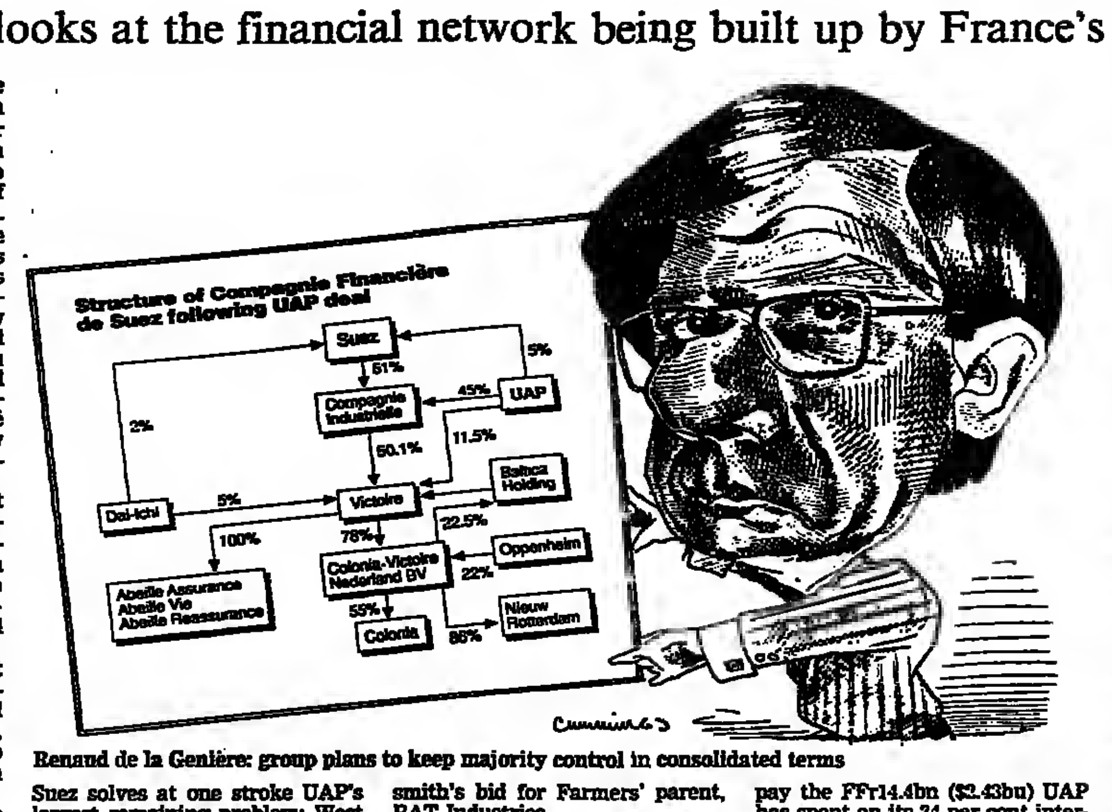
The deal which refinanced the French financial conglomerate's purchase of Groupe Victoire, its compatriot insurance group, consecrated the creation of a new three-headed Suez: the original banking interests centred on Banque Indosuez; an industrial division acquired through the bitterly fought takeover of Société Générale de Belgique; and now insurance, clustered around Victoire.

In many ways, Suez remains at the centre of the web thus created – a network whose insurance interests cover France with Victoire, West Germany with Colonia/Nordstern, the Netherlands with Nieuw Rotterdam and Denmark with Baltica.

It retains majority control, at each level of the structure created, and also in consolidated terms. Mr Renaud de la Genière, Suez's chairman, says the group plans to stay above 50 per cent in consolidated terms.

Yet Union des Assurances de Paris (UAP), the largest insurance company in France, may really be the spider in this web. In addition to its new 34 per cent consolidated interest in Victoire and its associates, UAP's existing European interests stretch from 25 per cent of Sun Life in Britain, to 35 per cent of Royale Belge, the largest Belgian insurer, and to Allsecures, the Italian non-life company it bought earlier this year from the Toro group.

Mr Jean Peyrelevade, UAP's chairman, has worked to create this network from the belief that, even if it takes time, Europe will eventually become a single market for insurance. The deal with



Renaud de la Genière: group plans to keep majority control in consolidated terms

Suez solves at one stroke UAP's largest remaining problem: West Germany.

UAP is expected to announce a smaller acquisition in southern Europe next month, and is still looking for a non-life company in the UK market.

Mr Peyrelevade sees little prospect of inter-connection between the European market and the other two major insurance markets, Japan and North America, and for this reason his strategy has concentrated on Europe.

His view is not shared by all. Mr Claude Bébéar, chairman of the Axa-Midi group, has added the US to his targets with a bid for the Farmers group, in partnership with Sir James Goldsmith's bid for Farmers' parent, BAT Industries.

Other insurers are more reserved about the profitability of major acquisitions overseas and more convinced that Europe's component national markets will retain their distinct characteristics for years to come.

"You will have noticed that, with the exceptions of Allianz and Generali, it is only the French that have adopted this notion that you have to buy a company in each country at any price. That does not necessarily mean that the French are cleverer than all the others," commented one sceptical senior French insurer, adding that he would not have been willing to pay the FFr14.4bn ($2.43bn) UAP has spent on its 34 per cent interest in Victoire.

A glance at the areas cited by UAP and Suez for co-operation between the different insurance companies that now make up the network tends to encourage the sceptics.

Reinsurance is the first topic to be mentioned – although specialists in the sector smile at the idea of Kölnische Rück, Colonia's reinsurance subsidiary, working with the rather different Abeille Re, Victoire's reinsurer.

Emergency and travel assistance networks are another point, as well as joint acquisitions in third countries.

Ambitions are distinctly more modest in mainstream insurance, however, and critics of the expansionist policy suggest that before the European insurance market unifies, they will have plenty of time to try to build up their own networks, more cheaply than by acquisition.

Mr Peyrelevade is unworried by these arguments, and also dismisses the view that he has embarked on a madly grandiose strategy.

"You must not think that we have been struck by folly. Before the Victoire deal, our market share in Europe was around 1 per cent; our objective was to double that in five years. Setting aside Victoire and Colonia, we think we can accomplish a third of this objective through internal growth.

"That leaves us with a market share of 0.6 to 0.65 per cent to achieve by acquisition, or around FFr15bn of turnover – over five years."

Mr Peyrelevade also brushes aside the debate that arises in France every time a state-owned company like UAP buys or sells a significant holding in a domestic company: does it infringe the rule of "neither privatisation nor renationalisation" laid down by President François Mitterrand in his re-election manifesto in 1988.

"This operation has been carried out exclusively in UAP's strategic interests. When we take 35 per cent of Royale Belge or 25 per cent of Sun Life, when we take a participation in Aliança or control of Allsecures, no one says this is rampant nationalisation. I don't see why with Victoire the interpretation should suddenly change," Mr Peyrelevade complains.

"We must stop being the victims of our domestic neuroses. It is sad that we are unable to rid ourselves of our internal political obsessions."

Beatrice drops $185m offer for sale

By Janet Bush in New York

TLC BEATRICE International Holdings, the US food and beverage conglomerate, yesterday pulled out of its planned initial public offering, valued at around $185m.

It cited unfavourable stock market conditions as the reason for its decision.

The company was formed in August 1987 by Reginald Lewis, whose TLC Group bought Beatrice International from its parent company in the largest ever leveraged buy-out of an overseas operation.

The public offering of 18.5m Class A common shares, or 35 per cent of the company, was to be underwritten by Merrill Lynch Capital Markets and had tentatively been scheduled for pricing this week.

Of the total offering, 13m shares were to have been sold in the US.

Yesterday, TLC Beatrice withdrew its registration with the Securities and Exchange Commission for the offering, but said the issue could be revived in the future if market conditions improved.

The announcement yesterday came against the background of another sharp drop on the New York stock market during the morning, which extended Monday's loss of more than 40 points in the Dow Jones Industrial Average.

The company said feedback from a roadshow had shown that, although there was interest in the company from institutional and retail investors, there was general skittishness about initial public offerings. "The market simply wasn't there," said Mr Lewis.

He decided to keep his options open and is talking to the underwriters and other groups about other possibilities, perhaps in Europe, where the bulk of the business is based.

Mr Lewis said last month that the offering would complete the company's transition from a highly leveraged company to one that would be able to take advantage of market opportunities.

According to the prospectus for the offering, after an extensive programme of asset sales, TLC Beatrice has already paid off 83 per cent of the debt assumed at the time of the leveraged buy-out.

The only acquisition debt left was $34m in reset notes, said the company.

Ferranti expects no bid by February deadline

By Hugo Dixon in London

FERRANTI International Signal, the troubled UK defence electronics group, believes it is unlikely any company will bid for it by the deadline of February 5 that it has set for offers.

If no third party agrees either to bid for Ferranti or take a substantial minority stake in it by the deadline, a £150m ($240m) standby rights issue will come into effect.

The issue was originally put in place as a safety net, designed to strengthen Ferranti's negotiating position with potential bidders, but it was not expected to be used. However, the company now thinks it will be needed to fill the hole left in its balance sheet by an alleged £215m fraud.

Decisions earlier this month by British Aerospace and Daimler-Benz of West Germany to pull out of the bidding are the main factors behind Ferranti's reassessment of its position. They were considered to be leading candidates to buy the group.

At the same time, Ferranti thinks that Westinghouse, which has been considered the leading US candidate to rescue it, will not be able to meet the deadline.

Other companies which might have been interested in taking a minority stake in it, such as Finmeccanica of Italy, are also not expected to be ready to move by February 5.

Ferranti is understood to believe that Thomson-CSF, the French state-owned defence group, may still bid for it. However, it fears that if Thomson makes a move it will leave it to the last moment and bid at a low price – possibly below yesterday's close of 34p.

To bid that low, Thomson would first have to get permission from the Takeover Panel. This is because BAe acquired shares in Ferranti at 56p several months ago, when it was contemplating a joint bid with Thomson.

Meanwhile, Ferranti is understood to believe that General Electric Company of the UK is unlikely to bid unless Thomson moves first. GEC, whose main objective appears to be to stop Thomson, would have to overcome concerns at the Ministry of Defence that it already dominates the UK defence industry.

Ferranti holds its annual shareholders' meeting at its London headquarters later today. This meeting was adjourned in September, following the discovery of the alleged fraud.

The company will also be holding an emergency meeting on January 12 to get shareholders' approval for the new rights issue. The issue has been underwritten by a group of institutions, which are also leading shareholders.

It involves the issue of 750m preferred shares at 25p, to be offered on a one-for one basis. The shares will have twice as many votes and receive twice the dividends of ordinary shares.

Shareholders will have the option either of subscribing to the new shares or selling on their rights.

At the emergency meeting, shareholders will also be asked to approve the split of each ordinary share into an ordinary share and a special share.

The special shares will benefit from any cash Ferranti receives from litigation it is planning in connection with the alleged fraud.

Ferranti has already sued Mr James Guerin, its former deputy chairman, and various associates. It is expected to sue Peat Marwick McLintock, its former auditors, early in the New Year.

Mattel plays Santa with offer for Corgi Toys of the UK

By David Churchill, Leisure Industries Correspondent, in London

CHRISTMAS came early yesterday for Corgi Toys, the UK manufacturer of die-cast model cars such as vintage Rolls-Royces and classic Bentleys.

Mattel, the giant US toy company with annual sales topping $1bn yesterday paid an undisclosed sum – rumoured in the toy trade to be at least £3m ($4.84m) – for Corgi which had a turnover last year of just £13m.

The acquisition comes as the UK toy trade faces one of its bleakest Christmas trading periods for several years, a victim of the slump in retail spending following the rise in interest rates this year and general economic uncertainty.

While most toy companies and retailers are still putting on their traditional brave public face about the level of sales, toy spending in the UK is seen as steady rather than spectacular this Christmas. Traditional toys are again the front runners among shoppers.

Mattel, which claims to be the world's largest toy company, has come through a rough period in the mid-1980s – losses in 1986 and 1987 totalled $121.5m – as a result of betting on toys such as *Captain Power* which failed to capture the heart of American youngsters.

Mattel's strategy now appears to be to go for less-fashionable and traditional toy sectors where growth is more assured. "We are looking for companies which have a strong brand in stable markets," said Mr Glen Bozarth, a spokesman for Mattel in the US, yesterday.

Corgi's products would seem to fit squarely into this category, although spending on die-cast toys in the UK has been slipping steadily in recent years. A new report from the Datamonitor research company put the UK market for die-cast model toys in at £65m in 1988, down from £75m in 1987. The peak year was 1983 when sales reached £82m.

Corgi was part of the Mettoy toy company which went into receivership in 1983, one of the clutch of famous toy names such as Airfix and Dunbee-Combex-Marx which fell foul of the early 1980s recession.

In 1984, however, Corgi was bought out by its management and Electra Investments. Since then it has developed a range of more than 500 models, selling about 15m toy cars a year and giving it a market share of some 13 per cent, according to Datamonitor. Matchbox leads this sector with a 25 per cent share.

Mr Chris Guest, Corgi's managing director, denied that the decision to sell to Mattel reflected the problems in the UK die-cast market. "We felt that linking up with Mattel would give us considerable benefits for distribution not only in Europe but in the rest of the world," he said.

New blow to British Land scheme

By Nikki Tait in London

THE CHANCES of British Land, the UK property company headed by Mr John Ritblat, winning approval from shareholders for its controversial restructuring plan were dealt another blow yesterday as Robert Fleming Asset Management, one of the two largest shareholders in the company, decided to vote its 7.37 per cent stake against the scheme.

Mercury Asset Management, the other major shareholder with around 10 per cent, was due to reach a decision by this morning.

Despite the fact that proxies were due in yesterday morning, British Land's adviser, SG Warburg, refused to be drawn on the prospects of the deal, as currently constituted, going ahead.

The extraordinary general meeting called to approve the restructuring is due to take place tomorrow, and will - at the very least - formally convene.

The only comment from British Land's advisers was that "We're examining the circumstances and what we would like to do. There are still decisions to be taken." Last night, a couple of large shareholders known to be opposed to the deal as currently formulated, said that they were not aware of any compromises being mooted, but suggested that the proxy position might still be being assessed.

Robert Fleming made its decision after seeing British Land yesterday. The fund manager declined to elaborate on its precise objections to the scheme, but confirmed they were in line with criticisms already expressed by other institutional shareholders.

These have centred on the extent of the management incentives offered, the size of the management fee being levied on the on-going New British Land company, and the speed at which they were being asked to make a decision.

The Association of British Insurers is understood to have circulated members, pointing out that a number of offices see no alternative but to vote against.

There are suggestions that opposition among these institutions alone could amount to 16-17 per cent of British Land's equity. The scheme requires a majority of votes cast to be approved.

Court decision threatens Bond deal

By Bruce Jacques in Sydney

MR ALAN BOND, the besieged Australian entrepreneur, said yesterday that he would soon proceed with the long awaited deal for Bond Corporation Holdings to sell its beer interests to Lion Nathan, the New Zealand brewer.

But, while Mr Bond was adamant on the brewery deal at a fiery annual meeting of Bond Corporation in Perth, a court decision handed down yesterday has the potential to scuttle his plans.

The West Australian Supreme Court approved a reconstructed board for Bell Resources, the Bond offshoot, which will give the balance of power to independent directors.

Under the court order, Bond Corporation and the Adelaide Steamship group, which has a 19.9 per cent stake in Bell, will each have two representatives on the board. Two seats will be taken by outside directors, yet to be named and the chairman will be Mr Geoffrey Hill, the Sydney merchant banker.

The board arrangements have been forced on Bell by the National Companies and Securities Commission which was otherwise threatening court action to place the company in receivership. The two independent appointments are subject to approval from the Commission.

Mr Henry Bosch, the Commission chairman, yesterday indicated that a condition of the new board arrangements was that directors quickly pursue acquisition of Bond Corporation's breweries.

"The Commission has sought, and received, undertakings from Bell Resources's new chairman ...that he will act quickly to prepare a plan of action in respect of the acquisition of brewing assets from the Bond Corporation Holdings group and retain, on behalf of the Bell board, a legal firm and accounting firm acceptable to the Commission to provide the board with advice and assistance in assessing Bell's position and options."

Mr Bosch's statement suggests that, in pursuing Bond's brewery assets, Mr Hill would also be obliged to take action to recover the controversial A$1.2bn (US$939.7m) "deposit" advanced last year by Bell to Bond Corporation.

Part of this sum is being held as a downpayment for the brewery sale plan involving Lion Nathan.

Mr Bond also told yesterday's Bond Corporation meeting the company had sold its half share in the 50-storey R&I Tower building in Perth for A$108m. He faced aggressive questioning from shareholders, especially a group of Dutch investors incensed at his offer to buy back more than A$2bn worth of group debt securities at about half face value.

But Mr Bond said the company needed a "fair go" from the Australian media and shareholder support if it was to return to profitability.

"With the continued co-operation of banks . . . and support of our shareholders, we believe we can turn around once again and prosper. Because, after all, if Australia is to be seen to be correct in the international market place, we do need entrepreneurs to reach out for new horizons, even though from time to time there are setbacks."

Mr Bond said the group had experienced a difficult period where conflicts had been sensationalised by the media.

He said the group's recently announced Australian record loss of more than A$800m had to be seen in perspective because it included large provisions and write-offs.

Alan Bond enjoys his Swan beer after yesterday's AGM

NFC sees growth of 12% per share

By Clare Pearson in London

NFC YESTERDAY announced a 34 per cent advance to pre-tax profits of £90.2m ($142m) for the year to September 30. The distribution and travel group also said it expected to outpace slowing UK corporate earnings growth in 1990.

Its current view was that it should achieve 12 per cent earnings per share growth, and a 16.4 per cent advance in pre-tax profits in the current financial period.

"As the year progresses, I think this performance will look very satisfactory indeed," said Mr James Watson, deputy chairman.

NFC, uniquely among British quoted companies, publishes on each reporting date a "best view" of what it thinks its next full-year results will be. The company, which joined the stock market via an introduction in February, has kept up the practice begun after it was bought out by employees.

Earnings per share for the period under review rose 29 per cent to 18.3p (14.2p) and the final dividend is 2.3p (2.03p) for a 31 per cent better total payment of 7.5p.

The full-year dividend is lifted to 7.5p, a 31 per cent increase, after a final dividend of 2.3p against 2.03p last year.

The results were slightly better than NFC's earlier "best view," and were achieved against deteriorating conditions in many of the company's markets.

On turnover up at £1.49bn (£1.26bn), operating margins improved from 7.2 to 7.7 per cent. The pre-tax figure was struck after a £15.9m (£11.8m) debit for profit-sharing.

Growth in contract hire stayed firm throughout the year and this, together with good performances from waste management and other smaller businesses, pushed the transport division's operating profits to £37.2m (£32.1m), despite the downturn in truck rental.

The contribution from logistics, which provides integrated distribution services, rose to £29m (£22.3m), benefiting from elimination of loss-makers.

Eastern Air to sell its facilities at Chicago for $195m

By Roderick Oram in New York

EASTERN AIR LINES is selling its Chicago-London route and facilities at Chicago airport to American Airlines for $195m (£121.6m) as part of its bankruptcy reorganisation.

American is widely expected to buy Eastern's Caribbean and Latin American routes with a deal expected soon.

Eastern asked the New York bankruptcy court on Monday for an extension of the December 29 deadline for filing a reorganisation plan.

The company expects to review a plan with its creditors early in the new year.

In a forecast filed with the court, Eastern said it expected to report a fourth-quarter net loss of $250m and a further loss in the first quarter of next year.

Eastern said it hoped to make a "modest" net profit for the second half of 1990 and expected a full year operating profit of $93m.

Eastern would continue to operate the Caribbean and Latin American routes until the buyer was ready to take them over.

It would then discontinue Miami as a hub although it would operate a contract service base there.

After the closure, the Atlanta hub's share of Eastern's flights would rise to 75 per cent from 55 per cent.

Eastern hopes to emerge from its reorganisation at about two-thirds of its previous size and to raise some $1.8bn from asset disposals.

Intensive talks with American about its Latin American operations resumed recently after Eastern began falling short of its asset sales target. Previous talks broke down in the summer.

Reader's Digest to raise $550m in offer

By Roderick Oram in New York

THE READER'S Digest Association, publisher of the world's most widely read magazine, is to raise up to $550m through an initial public offering of 21.2 per cent of its total common stock.

The prospectus, due to be released later yesterday, will be closely read by investors and the general public for the first detailed look it will give of the intensely private 67-year-old organisation.

Based in Pleasantville, a far northern suburb of New York City, Reader's Digest has previously revealed only a few skimpy figures. The flagship magazine is published in 39 editions and 15 languages with a global circulation and readership of 28m and 100m respectively per issue.

Under the chairmanship of Mr George Grune since 1984, the company has diversified through acquisitions of a handful of other titles. It also has book publishing, video and record businesses.

The company said yesterday it will offer 25m Class A non-voting common shares – 21m in the US and 4m abroad – through Goldman Sachs and Lazard Freres at $18 to $22 per share. Following the death earlier this decade of the association's founders, DeWitt and Lila Wallace, ownership of the organisation has been in the hands of foundations and employees.

The stock sellers for the public offering are two Wallace foundations and seven independent foundations they established to support their favourite charities. These include New York's Metropolitan Museum of Art, the New York Zoological Society, the Lincoln Center and Colonial Williamsburg, a recreation of a colonial American town.

The Reader's Digest itself and its employees will not sell any of their non-voting shares in the offering. All voting stock in the association will remain held by the two Wallace foundations and a trust.

The association said in May employees would gradually build up a 20 per cent stake in the voting stock. Under a change in federal tax laws governing ownership of commercial enterprises by charitable trusts, the Wallace foundations will have to divest 50 per cent ownership of the association by 2000.

NEWS IN BRIEF

THE FEDERAL German Monopolies Commission has recommended to the country's ministry of economic affairs that approval should not be granted for the merger of the diesel activities of MAN, the Munich engineering group, and the Swiss Sulzer Brothers, writes John Wicks.

This marks a further step in the approval process,Sulzer said yesterday. The Swiss company will be among those at a hearing at the ministry in Bonn on January 18.

■ Kersaf Investments, the South African hotel and casino group, said its two top executives, Mr Dick Goss, chairman, and Mr Ian Heron, managing director, have resigned, Reuter reports.

The officers quit with immediate effect and also resigned from all other companies within the group. Kersaf gave no reason for the resignations but said they had been agreed with the administration of Bophuthatswana, home of the Sun City casino resort, Kersaf's biggest single asset.

■ Dresdner Bank is to open a representative office in Dresden, the East German city where the bank was founded 117 years ago, AP-DJ reports.

The office will start operating within the next few days, the bank said.

Abitibi halves dividend in face of severe discounting

By Robert Gibbens in Montreal

ABITIBI-PRICE, the pulp and paper group 80 per cent controlled by the Reichmann family of Toronto, is halving its quarterly dividend to 12.5 cents a share.

The company is still North America's leading newsprint producer though it has been diversifying into higher value products over the past five years. Profits were down 44 per cent in the first half this year and 69 per cent in the third quarter.

Earnings at recent levels do not cover dividend payments on the common stock.

Abitibi said the dividend cut was made to conserve resources in the face of severe price discounting in newsprint and fine papers and the high level of the Canadian dollar which reduces revenues on export sales.

The outlook for newsprint is unfavourable for the next two years because of slow growth in the US and excess industry capacity.

The problem facing Abitibi is shared by most other big Canadian integrated forest products groups. Pulp prices remain firm but are widely expected to decline in the second half of next year.

VW reports record year

VOLKSWAGEN, the West German vehicle group, said 1989 was its best ever business year, with group sales rising by 10 per cent to DM65bn ($37.64bn), Reuter reports.

No profit figure was given. Worldwide deliveries rose 3 per cent to a new record of nearly 3m vehicles. Parent company sales rose 9 per cent to more than DM48bn and all business sectors saw a rise in profits. Cost-cutting measures and a move by consumers towards buying high quality vehicles were boosting earnings.

VW made a 1988 group net profit of DM780m and the company has said it was likely that its 1989 result would exceed DM1bn.

The only decline in 1989 sales was seen in North America and Argentina, where markets remained difficult. European sales hit a record for the fifth year running, reaching 2.14m cars, a rise of 6 per cent compared with 1988.

Tadiran's losses soar to $98m after nine months

By Hugh Carnegy in Jerusalem

TADIRAN, the main subsidiary of Israel's deeply troubled Koor Industries, yesterday reported sharply increased third quarter losses, compounding the difficulties facing its parent as it struggles to survive debts it has said it cannot service.

Tadiran, a manufacturer of military and consumer electronic and electrical goods, which accounts for about one third of Koor's turnover, said it had suffered a net loss of $98m in the first nine months, three times the figure in the same period of 1988.

It blamed slower than expected sales at home and abroad and heavy restructuring costs. Despite orders of more than $1bn, the company said it did not expect to return to profit before 1991.

Problems at Tadiran, now for sale, have been the main cause of the debt crisis in Koor. The trade union-owned group, acknowledging that it cannot generate sufficient cash-flow to service its $950m debt, last month asked its foreign and domestic creditors to write off $125m to enable it to stay afloat.

This amount is unlikely to be sufficient to cover the shortfall. Koor admits that the losses in Tadiran mean it will not be able to raise the $185m it projected only weeks ago from the disposal of Tadiran.

Both the foreign and domestic banks are insisting that the Israeli Government and the Histadrut trade union federation, Koor's owner, should play a part if the group is to be kept alive.

Koor will later this week submit a proposal to the finance ministry, which is likely to include a call for further state aid in the form of debt guarantees on top of the $50m equity capital pledged last year and a dilution of the Histadrut's shareholding.

INTERNATIONAL COMPANIES AND FINANCE

Stormy marriage of rival interests

Peter Bruce on the battle for control of BBV, Spain's largest bank

IF COMPOSURE and dignity mean anything anymore in Spanish banking, the industry has come close to losing both in the unseemly scramble for control of its biggest bank, Banco Bilbao Vizcaya, following the sudden death last week of one of its co-presidents, Mr Pedro Toledo.

In the early 1980s, Spain's banking crisis plunged the industry into a ferocious redistribution of power. Last year, the country's then biggest bank, Banco Central, tried to merge with Banco Espanol de Credito (Banesto). This move collapsed 10 months ago in a breathtaking spate of personal infighting between shareholders, a ruined marriage and the worst press (for the industry) imaginable.

Banco de Bilbao and Banco de Vizcaya, the two large and coolly-managed Basque banks, in 1988 had managed to perform what seemed like the perfect merger – with enthusiastic backing from Spain's socialist Government.

The two co-chairmen, Mr Toledo at Vizcaya and the industry's "philosopher," Mr Jose Angel Sanchez Asiain at Bilbao, put together the Iberian peninsular's biggest financial company and carefully managed to portray themselves and their directors as the very essence of a sensible, careful and harmonious banking team.

The new "superbank" (by Spanish standards) would be the 37th largest in Europe in terms of assets.

It had 2,400 branches throughout Spain and would employ more than 34,000 people. Under a carefully constructed management plan, the younger president, Mr Toledo, would become the sole president in the early 1990s on Mr Asiain's retirement.

In the meantime, a Bilbao man, Mr Emilio de Ybarra would be sole vice president and a Vizcaya executive, Mr Alfredo Saenz Abad, was made managing director. The two old boards would exist through the transition but would come together in a 10-strong management board.

With the Central-Banesto merger falling apart around them, the BBV experiment appeared perhaps rosier than it really was. However, rumours of distrust and boardroom bickering between the two sides have been floating around Madrid for more than a year.

A story leaked to a magazine, probably by Vizcaya people, told an amusing tale of a clash of management cultures, with stuffy and pedantic Bilbao officials unable to understand why their relaxed Vizcaya colleagues refused to use inter-office envelopes more than once or why they did not save their paper clips.

Bilbao struck back by publicly pouring cold water on an idea of Mr Toledo's to finance a business school. On the high street old clients of one or the other bank still have difficulty cashing cheques at a "rival" branch.

It has taken Mr Toledo's death to establish just how deep the mistrust runs and just how little progress has been made in marrying the two banks. Apart from a brief respite at the funeral last week, the war between the two banks has been total and, from the outside, almost unbelievable.

The day Mr Toledo died – Tuesday last week – the old Vizcaya board met and rapidly named a new co-president. This was Mr Saenz. Within hours, the bank's press office issued a statement saying this was not official.

On the very next day the BBV managing board met for 11 hours and failed to approve Mr Saenz's "appointment."

The next day was the funeral. Tomorrow, after a weekend of politicking, the managing board meets again. Failure to approve the Vizcaya nomination then will put the merger in great danger.

The predictable action by the old Vizcaya board was understandable. With Mr Toledo poised to become chairman one day, the world was a Vizcaya oyster. With him gone, and trust between the banks obviously not yet established, they clearly felt they had to act quickly to stop any move to establish a single presidency and possibly rob them of their glorious future.

This, in fact, is precisely what Mr Asiain proposed at last Wednesday's managing board meeting and what to most analysts (and, probably, customers who have yet to benefit from the merger) seems to be the most sensible move.

Mr Toledo's death established just how little progress had been made in marrying the two banks . . . apart from a respite at the funeral, the war between them has been total

Mr Asiain even offered to step down and let someone else be president. In the order of things, though, this would logically be Mr Ybarra, the vice president, and not Mr Saenz.

By the start of this week, there was no sign that tempers were cooling.

The Bilbao side was busy arming itself with legal opinion charging that the Vizcaya board did not have the right to nominate a co-president to represent it and that this decision has to be made by the joint managing board.

When Efe, the national news agency, put out a story on Monday night saying the Vizcaya board was prepared to negotiate Mr Saenz's nomination, a delegation of Vizcaya executives went to the agency to deny it was prepared to do anything of the sort. Bilbao officials insist Mr Asiain's wish to create a single presidency sooner rather than later is an old idea: that he had discussed it with Mr Toledo but not yet with the whole board.

Mr Toledo, for his part, had precious little time to establish a smoother succession. On December 6, both he and Mr Asiain were in Frankfurt for the funeral of the murdered Deutsche Bank chief, Mr Alfred Herrhausen. Mr Toledo flew from there to a clinic in Barcelona, where doctors decided to fly him to the Mayo Clinic in the US for urgent treatment. According to some reports, he died on the way, on Tuesday, December 12.

Since then, Spanish commentators have depicted him as the brightest hope in Spanish banking. With some justification. A slim man who wore his hair quite long, he had a genius for talent spotting. At one stage he hired the Finance Minister, Mr Carlos Solchaga, which later brought him close to the socialist Government. His florid ties and aloof manner, say friends, hid an extremely shy and gentle man.

Mr Toledo was well aware of, and eager for, the power he would one day hold as the only president of the country's biggest bank. One manifestation of this was his conversion after the merger to the established practice in some big Spanish banks of taking big stakes in industry. Under him, Vizcaya had begun to shed many of its industrial holdings in the mid-eighties but BBV has begun to to make large acquisitions in industry this year.

That enthusiasm for power no doubt rubbed off on many of his Vizcaya colleagues and all the signs are that Thursday's management board meeting will be equally as unpleasant as the meeting last week. It is difficult to see how, having named Mr Saenz as Mr Toledo's successor as co-president, the Vizcaya representatives can back down without losing face.

The most likely result of the meeting is that they will succeed in placing him next to Mr Asiain. The bank cannot afford to spend much more time in such rancorous debate.

That would be a temporary respite, Mr Asiain has placed a quick single presidency on the table and the issue will not go away. The longer it takes to get there, the worse it will be for the bank's image.

That is important for the BBV, which is being challenged particularly by innovations from Banco Santander.

"The co-presidency does not work," one Bilbao official said on Monday. "In some ways we are losing our leadership of the industry. We are taking too long to make decisions."

BBV has not, for example, yet been able to respond to a high interest bearing current account being offered by Santander which has lifted its deposits at the expense of the competition.

Tomorrow's meeting could, just possibly, do the totally unexpected and name Mr Saenz as sole president and somehow make it clear that he would be succeeded by Mr Ybarra, who is younger. But conciliation is not in the air.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 19

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... On day [illegible] on week [illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... On day [illegible] on week [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... On day [illegible] on week [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... On day [illegible] on week [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... On day [illegible] on week [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Citibank to set up an airline financing unit in London

By Paul Betts, Aerospace Correspondent

CITIBANK is establishing an airline and aerospace financing unit in London to cover Europe, the Middle East and Africa. It will be headed by Mr Peter Sokell, who is joining Citibank at the beginning of next year.

Mr Sokell was six years with National Westminster Bank's aerospace group. He joins Citibank from working on airline and aerospace financing with Spectrum Capital, a joint venture including Mitsubishi Trust and Banking of Japan.

Citibank claims a leading share of the aerospace financial market which is expected to continue to grow rapidly over the next 15 years. Citibank said yesterday the global airline and aerospace financing market was expected to be worth at least $30bn (£18.7bn) a year for the next 10 years.

Clifford Chance, the international law firm, estimates in a recent study on cross-border aircraft leasing that by 2,000, some $275bn-worth of new aircraft will have been manufactured and brought into service to cope with increases in air passenger traffic. It adds that the majority of these aircraft will be financed by leasing.

Citibank expects consolidations and mergers to continue in the aviation business as airlines seek to become more globally orientated.

Citibank's European unit is part of the bank's efforts to strengthan its global operations in aircraft finance. It has recently set up a similar unit in Tokyo.

INTERNATIONAL CAPITAL MARKETS

Policy meeting puts Treasuries on guard

By Janet Bush in New York and Rachel Johnson in London

US TREASURY bonds moved modestly lower yesterday, on the defensive as the policy-making Federal Open Market Committee started a two-day meeting.

At midsession, short-dated maturities were quoted about ½ point lower while the Treasury's benchmark long bond stood ½ point down from Monday's close, yielding 7.85 per cent.

Two key economic reports were released yesterday; November's Consumer Price Index rose 0.4 per cent, a little more than expected, while US housing starts, down 4.7 per cent, were in line with expectations.

The market showed little, if any, reaction to the figures, being more interested in the outcome of the FOMC meeting.

The White House issued a statement at midday, saying inflation was declining and that this pointed to lower interest rates.

The comment was clearly designed to put pressure on the Fed to ease monetary conditions.

The CPI gain compared with a rise of 0.5 per cent in October. So far in calendar 1989 the index has risen by an annual rate of 4.6 per cent, compared with 4.4 per cent in the full year of 1988.

The Fed did not operate in the money market, suggesting its target for Fed funds remains at 8¼ per cent. The funds opened at 8½ per cent and had not moved from that level by midsession.

GOVERNMENT BONDS

■ AFTER Monday's unseasonal excitement, caused by a small intervention rate increase in France, bond markets relapsed into pre-Christmas inactivity – at James Capel Gilts, traders played chess to while away the hours before the markets closed.

However, bond prices rose. Gilts opened up three ticks – "a major bond rally in this market!" as one trader joked. The small gain was easily beaten by the long gilt future, which opened at 92.18 and closed at 92.24. Ten-year bonds climbed by ¼ point.

In France, trading was marginally more exciting. There was some sporadic buying interest in the March futures contract on Matif, which opened 13 basis points higher before slipping back to close at Monday's level of 104.96.

The yield spread between German and French 10-year bonds (bunds are 200 basis points lower than OATs) led to some investors switching out of bunds into French bonds to find rich yield pickings.

■ THE primary and secondary international bond markets slowed almost to a halt yesterday as securities houses concentrated on year-end paperwork. Prices on seasoned issues were barely changed, and there were no new issues reported.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	103-30	+7/32	11.78	11.92	11.81
		9.750	1/98	95-10	+12/32	10.63	10.83	10.78
		9.000	10/08	94-04	+10/32	9.68	9.77	9.67
US TREASURY *		7.785	11/99	100-20	+0/32	7.81	7.87	7.86
		8.125	8/19	103-08	+1/32	7.84	7.89	7.90
JAPAN	No 111	4.800	6/99	94.7723	-0.203	5.65	5.41	5.35
	No 2	5.700	3/07	101.4116	-0.630	5.54	5.47	5.52
GERMANY		7.000	9/99	96.7500	+0.050	7.18	7.25	7.42
FRANCE	BTAN	8.000	10/94	91.4097	-0.080	8.76	8.58	8.66
	OAT	8.125	5/99	93.7000	+0.070	9.13	9.10	9.07
CANADA *		9.250	12/99	98.4500	+0.250	9.49	9.60	9.59
NETHERLANDS		7.250	7/99	96.3800	-0.220	7.79	7.75	7.81
AUSTRALIA		12.000	7/99	94.3722	+0.165	13.05	13.02	13.28

London closing, *denotes New York morning session

Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

US gears up to meet the challenge of globalisation

Bankers and brokers are determined to regain their dominance of global markets, writes Janet Bush

Ten years ago, US bankers and brokers talked almost messianically about globalisation. Capital barriers would fall, there would be seamless 24-hour trading across time zones and full-service institutions would serve farmers in Iowa to car workers in Osaka.

As the US capital markets enter the 1990s, the reality is that globalisation is still in its early stages and that it will be as much a trend of the next decade as it was in the last. There has, however, been a qualitative change in the rhetoric.

Then, globalisation was seen in the US as an opportunity. Now the US is far less confident of its ability to dominate the global market and is showing signs of falling behind its competitors. Globalisation is now an urgent challenge.

Mr Curtis Welling, managing director in charge of equities at First Boston, says: "The US has had a very egocentric view. Our hegemony over world capital flows was almost regarded as a birthright.

"As far as important capital flows are concerned, there was a real danger of the world passing us by. The US was in danger of becoming irrelevant."

While the US was once slow to realise its competitive position in world financial markets could be eroded, Mr Welling believes there is a growing awareness of the need to act quickly to position the nation's markets and financial institutions for the future.

This concern has been crystallised in regulatory initiatives, legislative proposals and product innovations. Progressive attitudes at both the US Federal Reserve and the Securities and Exchange Commission are central to these efforts.

Mr Rob Johnson, vice president in the global markets division of Bankers Trust and former chief economist for the Senate Banking Committee, says: "They know that they either ease the regulations or they lose the business."

There are three principal areas where change is accelerating, fuelled by concern over competitiveness:

● Reform of the 1933 Glass-Steagall Act, which separates commercial from investment banking, is again on the agenda after the failure to enact legislation in the last Congress. Terms of the debate show signs of widening, to include the concept of full-service financial institutions, much like those created prior to Big Bang in Britain.

● The SEC is reviewing a range of regulations which effectively impede international capital flows and foreign participation in US capital markets.

● In an effort to boost competitiveness, regulators and exchanges appear to be bending over backwards to accommodate the desires of institutional investors and traders.

The Fed has made it clear it desires repeal of Glass-Steagall and has already won expanded powers for commercial banks to engage in securities activities.

In late November, the Securities Industry Association finally dropped its stubborn resistance to tampering with Glass-Steagall. Its decision was not only a tacit admission that it had lost the fight, but reflected a realisation that overall US competitiveness had become a more compelling priority than purely domestic business rivalries between different providers of financial services.

With the thrift rescue bill now in place, it is possible that structural reform of financial services will be re-examined next year.

In the spring, Representative Frank Annunzio, chairman of the House financial institutions sub-committee, will hold hearings on a bill drawn up by the Financial Services Council, a coalition of all types of financial concerns.

The bill would create a new, full-service financial institution; any kind of company could own a bank, a brokerage or an insurance company, much as European institutions already do.

The history of proposed legislation to reform Glass-Steagall has not been auspicious but there is, at least, a growing sense that something must be done.

According to a survey of world banks in 1988, compiled by The Banker magazine, there was not a single US bank in the top 10 in terms of assets and only one US bank – Citicorp – in the top 10 as measured by capital.

In Investment Dealers' Digest's underwriting rankings for 1988, the only US house which made the top 10 of non-US debt underwritings was Merrill Lynch Capital Markets, in 10th place. The top four places in non-US international equity underwritings were taken by a British house, two from West Germany and a Japanese institution. Morgan Stanley was the top US firm, in fifth place.

The SEC, which has just formed an Office of International Affairs, has shifted into top gear to harmonise regulations with its overseas counterparts to promote the free and efficient flow of capital. The nuts and bolts of clearance and settlement, for example, are a priority.

Mr Welling, of First Boston, puts the challenge in graphic terms: "We have gone about as far as we can go with broad-brush conceptual descriptions of the global market. We can see the house, it looks great but nobody can live in it until the plumbing and electricity is in place."

In spite of all the talk of global markets, it is startling that US pension funds have committed less than 3 per cent of their $2,600bn in assets to non-US securities. One key reason for this is that investors and traders have to negotiate a minefield of different regulations when operating in overseas markets.

Potentially one of the most important initiatives being undertaken by the SEC is the proposed change in its Rule 144a. Although the commission is still considering how far to go, what is being discussed is liberalising the US private-placement market to allow foreign companies to issue without onerous registration and disclosure, and for US institutions to buy and sell securities not registered with the SEC.

It could mean a vastly more liquid environment for foreign companies to issue equities in the US and a welcome inflow of business for Wall Street securities firms.

This is just one of many plans designed to make the US an attractive stopping place for global capital flows. Like many others, it recognises an increasing need to differentiate between institutional and retail investors.

One of the thorniest issues with Rule 144a is that the SEC wants to ensure liberalisation of the private-placement market applies strictly to institutional investors, in theory sophisticated enough to protect themselves in a largely deregulated environment.

US thinking over financial markets has begun to differentiate more clearly between the needs of institutional and retail investors. A flow of trading business to overseas centres, largely reflecting onerous regulation and trading inefficiencies, has led to an increasing propensity to accommodate institutions.

The SEC recently approved Exchange Stock Portfolios (ESPs), a product designed by the New York Stock Exchange which will allow large institutional investors to trade simultaneously all 500 stocks in the Standard & Poor's 500 index.

The most revolutionary aspect of ESPs is that a new trading structure has been set up by the NYSE, creating a parallel market designed specifically for institutional investors based on a system of competing market makers.

Under the system, institutions are exempt from the short sale rule, preventing traders from selling short unless the last price change is upwards, even though this applies everywhere else in the market.

ESPs give only a hint of what might happen in the 1990s as institutional and retail markets diverge and as exchanges such as the NYSE face the threat from overseas market places. The NYSE acknowledged that its thinking on the short sale rule was governed by a need to stop business flowing to other exchanges.

Professor Merton Miller, of the University of Chicago, believes the 1990s will see even more pressure from institutions wanting to trade directly with each other – off the floor of an exchange – using sophisticated electronic trading systems and without an intermediary such as a NYSE specialist.

He believes that disintermediation – the squeezing out of financial intermediaries – will continue in the 1990s, not least because it lowers trading costs.

"The specialists are relatively small potatoes, who are very weakly capitalised and yet they are supposed to make markets for customers who are huge relative to them," he said.

Financing for Carat deal completed

By Stephen Fidler, Euromarkets Correspondent

WCRS Group of the UK and Samuel Montagu have completed financing for the previously-announced acquisition by WCRS of the remaining 50 per cent of Carat Holding of France and for the restructuring of its advertising business.

The FFr1.1bn loan was initially underwritten by Montagu and has been syndicated among banks, which provided £90m ($142m) for the acquisition of the first 50 per cent.

It comprises a six-year FFr430m term loan and FFr360m revolving credit, and a four-year FFr312m guarantee. The interest margin is ¾ percentage point and the commitment fee ⅜.

● Amsterdam-Rotterdam Bank established a DM500m medium-term note programme, the first under which notes will be listed on the regulated market of the Frankfurt stock exchange. Deutsche Bank arranged the programme. AmRo Handelsbank and Salomon Brothers AG will also be dealers.

Separately, Deutsche's Mannheim branch has arranged a $750m extendable five-year standby financing, drawable in several countries, for Deere, the US farm equipment maker.

The financing replaces a $300m facility arranged by Deutsche Bank in 1987, raised to $500m.

Bank of Tokyo buys out venture

BANK of Tokyo is extending its London-based fund management activities by buying out its joint venture with Touche Remnant, the UK fund management firm, writes David Lascelles.

This will now be combined with BoT's existing UK fund management operations to form a new company, BoT Asset Management (UK). BoT says the new company will manage funds in excess of $2bn.

Spanish debt reshuffle

By Stephen Fidler

A RESTRUCTURING of the debt of Rio Tinto Minera, the Spanish mining company, should be completed this week following the company's emergence from court protection against its creditors.

The restructuring of about Pta21bn ($188m) of debt was arranged by Barclays Bank. It offered 20 bank lenders an option: to cash out at 75 per cent of face value or receive a 30 per cent cash payment and stay a lender by providing guarantees for the remainder for a gold and silver loan.

Nine banks, representing about half the exposure, chose the latter.

Market operations have been completed for the gold and silver loan, interest on which is tied to gold Libor as published daily by the London Bullion Market Association. Banks should receive the funds this week.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Tuesday December 19 1989: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at (25%))	Est. P/E Ratio (Net)	xd adj. 1989 to date	Mon Dec 18: Index No.	Fri Dec 15: Index No.	Thu Dec 14: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (204)	898.94	-0.6	12.86	4.82	9.53	30.71	904.75	895.94	906.86	767.57
2	Building Materials (28)	1069.26	-0.6	14.69	5.29	8.49	40.71	1075.87	1064.19	1076.85	929.32
3	Contracting, Construction (37)	1463.95	-0.6	16.88	5.29	7.77	56.19	1473.18	1461.38	1478.58	1453.75
4	Electricals (10)	2635.66	+0.4	10.25	4.72	12.26	84.46	2624.25	2596.59	2628.61	2264.47
5	Electronics (30)	1894.36	-1.1	9.70	3.86	13.26	52.19	1915.88	1902.72	1938.43	1747.82
6	Mechanical Engineering (53)	470.69	-0.6	12.31	4.88	9.90	16.44	473.38	469.99	473.13	403.85
8	Metals and Metal Forming (6)	470.78	-0.5	25.85	6.39	4.50	23.82	473.29	471.34	477.37	448.57
9	Motors (16)	374.16	-0.6	14.22	5.64	8.25	11.84	376.60	373.58	375.75	259.17
10	Other Industrial Materials (24)	1730.88	-0.6	9.56	4.38	12.32	55.27	1740.84	1711.85	1737.95	1295.86
21	CONSUMER GROUP (184)	1302.93	-0.7	8.73	3.51	14.34	33.79	1311.96	1306.67	1320.90	1087.67
22	Brewers and Distillers (23)	1516.78	-0.7	9.43	3.46	13.17	36.48	1527.52	1517.84	1525.87	1116.24
25	Food Manufacturing (20)	1138.64	-0.6	9.52	3.88	13.04	31.60	1145.50	1146.58	1158.90	906.19
26	Food Retailing (15)	2254.12	+0.7	9.27	3.22	14.26	52.06	2237.47	2219.28	2259.42	1770.79
27	Health and Household (14)	2665.45	-1.1	5.88	1.96	20.25	46.95	2695.83	2692.55	2745.81	1777.24
29	Leisure (34)	1643.42	-0.8	8.13	3.60	15.16	44.41	1657.30	1638.99	1651.26	1334.73
31	Packaging & Paper (14)	547.46	-0.6	12.03	5.25	10.41	18.37	550.79	541.18	543.45	516.44
32	Publishing & Printing (18)	3766.61	-0.3	8.38	4.66	15.41	121.48	3777.07	3767.35	3792.45	3199.10
34	Stores (32)	779.31	-1.2	11.29	4.80	11.53	25.98	788.77	787.13	791.21	672.76
35	Textiles (14)	524.00	-0.2	10.94	5.67	11.08	22.08	525.11	522.40	524.95	451.28
40	OTHER GROUPS (97)	1164.24	-0.7	10.74	4.58	11.20	39.90	1172.47	1164.94	1175.19	886.51
41	Agencies (17)	1554.82	-2.2	6.81	2.34	18.02	27.29	1590.82	1570.18	1583.64	1028.13
42	Chemicals (22)	1222.68	+0.2	12.40	5.23	9.49	47.73	1220.40	1214.67	1220.36	1000.12
43	Conglomerates (14)	1606.61	-0.6	11.41	5.37	10.25	68.01	1615.76	1616.30	1643.16	1242.11
45	Transport (13)	2258.19	-0.7	10.55	4.26	12.09	68.85	2273.66	2267.74	2301.88	1850.21
47	Telephone Networks (2)	1182.89	-0.8	10.76	4.33	12.11	38.54	1192.57	1182.06	1190.93	993.40
48	Miscellaneous (29)	2915.26	-0.8	10.53	4.73	10.67	65.42	1930.24	1909.27	1919.58	1165.81
49	INDUSTRIAL GROUP (485)	1172.81	-0.7	10.33	4.15	11.90	35.72	1180.86	1173.62	1185.78	926.58
51	Oil & Gas (15)	2375.77	-0.2	9.12	4.82	14.50	96.43	2379.67	2376.32	2388.40	1760.99
59	500 SHARE INDEX (500)	1273.16	-0.6	10.15	4.25	12.22	40.70	1280.94	1273.97	1286.19	997.12
61	FINANCIAL GROUP (120)	834.41	-0.6	–	5.08	–	30.41	839.85	834.90	836.83	672.99
62	Banks (9)	853.92	-1.5	20.22	5.89	6.50	36.37	866.87	865.36	867.02	666.99
65	Insurance (Life) (7)	1400.55	–––	–	4.74	–	47.56	1400.92	1386.57	1390.58	933.23
66	Insurance (Composite) (7)	725.68	-0.3	–	5.21	–	28.34	727.70	714.42	714.21	523.62
67	Insurance (Brokers) (7)	1144.26	-0.5	6.59	5.50	20.21	47.09	1150.49	1136.64	1138.69	904.85
68	Merchant Banks (11)	472.02	-0.7	–	3.65	–	11.59	475.33	476.16	479.07	313.69
69	Property (49)	1215.04	–––	7.53	3.53	16.82	30.32	1214.50	1211.39	1215.59	1206.12
70	Other Financial (30)	332.41	–––	12.41	6.50	10.57	15.82	332.35	331.86	333.03	342.96
71	Investment Trusts (69)	1280.18	-0.8	–	2.82	–	25.23	1290.24	1285.84	1292.12	910.42
81	Mining Finance (1)	718.54	-1.2	10.39	3.75	10.82	22.25	727.53	726.24	737.79	547.91
91	Overseas Traders (7)	1505.48	-0.2	9.18	5.37	12.49	60.11	1508.28	1513.81	1521.43	1252.39
99	ALL-SHARE INDEX (697)	1168.64	-0.6	–	4.33	–	37.79	1175.95	1169.73	1179.48	916.64

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 18	Dec 15	Dec 14	Dec 13	Dec 12	Year ago
FT-SE 100 SHARE INDEX♦	2342.1	-16.4	2357.2	2338.7	2358.5	2344.7	2367.0	2386.2	2363.5	1777.4

FIXED INTEREST

	PRICE INDICES	Tue Dec 19	Day's change %	Mon Dec 18	xd adj. today	xd adj. 1989 to date
	British Government					
1	Up to 5 years	116.48	+0.13	116.33	0.02	11.71
2	5-15 years	129.48	+0.33	129.55	0.50	13.88
3	Over 15 years	140.02	+0.35	139.53	–	13.64
4	Irredeemables	158.34	-0.13	158.54	–	13.66
5	All stocks	127.87	+0.26	127.81	0.28	13.29
	Index-Linked					
6	Up to 5 years	140.95	+0.10	140.81	–	2.79
7	Over 5 years	140.74	+0.26	140.38	–	3.54
8	All stocks	140.63	+0.24	140.29	–	3.46
9	Debentures & Loans	106.22	+0.25	105.95	–	10.92
10	Preference	84.91	-0.10	84.99	–	6.39

	AVERAGE GROSS REDEMPTION YIELDS		Tue Dec 19	Mon Dec 18	Year ago (approx.)
	British Government				
1	Low	5 years	10.21	10.29	10.19
2	Coupons	15 years	9.56	9.67	9.50
3		25 years	9.48	9.57	9.08
4	Medium	5 years	11.11	11.18	10.54
5	Coupons	15 years	10.01	10.05	9.72
6		25 years	9.66	9.68	9.31
7	High	5 years	11.26	11.32	10.70
8	Coupons	15 years	10.21	10.25	9.86
9		25 years	9.79	9.81	9.31
10	Irredeemables	†	9.67	9.65	8.96
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.86	3.89	3.71
12	Inflation rate 5%	Over 5 yrs.	3.61	3.62	3.77
13	Inflation rate 10%	Up to 5 yrs.	2.93	2.95	2.43
14	Inflation rate 10%	Over 5 yrs.	3.43	3.44	3.60
15	Debs &	5 years	15.34	13.06	11.48
16	Loans	15 years	12.52	12.52	11.23
17		25 years	12.05	12.11	10.97
18	Preference	†	10.80	10.79	10.46

♦Opening index 2352.0; 10 am 2350.4; 11 am 2354.8; Noon 2354.7; 1 pm 2355.4; 2 pm 2355.1; 3 pm 2350.5; 3.30 pm 2350.9; 4 pm 2340.8 (a) 10.38am (b) 4.06pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. GILT YIELDS: Treasury Cnv. 10% 1991 and Treasury Cnv. 10¼% 1992 have been included in the yield calculation. Funding 5¼% 1987/1991 has been reinserted into the yield calculation. DEBENTURE YIELDS: ELF (UK) 12¼% 1991 has been reinserted into the yield calculation.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	91	7	4
Corporations, Dominion and Foreign Bonds	9	0	32
Industrials	224	477	897
Financial and Properties	67	249	372
Oils	19	33	42
Plantations	0	1	9
Mines	24	46	90
Others	31	122	93
Totals	465	935	1539

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Dec 18
● Last Dealings Jan 5
● Last Declarations Mar 22
● For settlement Apr 2

For rate indications see end of London Share Service

Calls in Micro Focus, Aviva Pet., Ferranti, Eurotunnel warrants, Amstrad. Put in Brunning. Put and call in Ferranti.

LONDON TRADED OPTIONS

TRADING on the London Traded Options Market languished at a seasonal low yesterday with some individual strategies and rolling over of positions dominating activity.

Volume, at 22,422 contracts, was almost half Monday's level. Trading was centred in call options, with 13,650 changing hands compared with 8,772 puts.

With December options series due to expire today, much of yesterday's business focused on rolling positions over into next year, together with some closing out of stale positions. The FT-SE 100 index option traded 8,793 contracts, divided between 4,467 puts and 2,326 calls, as some institutions hedged their stock exposures over the seasonal period.

The most active stock option on the LTOM was Asda, the superstore group, which has recently seen its stock price fall in hectic trading after reporting weaker profits. Asda traded 1,549 contracts, 1,269 of them call options. The most active series was the January 110 call which traded 1,000 lots.

James Capel was active in the Asda option as it put on a new position in call options.

One large trade stood out from yesterday's insipid activity as a straddle strategy in British Telecom. This involved the crossing of 250 February put options with the same number of February calls.

Thames Water continued to be active with 1,400 contracts changing hands. These were focused on call options where 1,376 lots traded as opposed to just 24 puts. Trusthouse Forte was the third most active option with 1,114 lots, of which 764 were calls.

Volume in the water package has dropped off since Monday but it remains the fourth most active option on the LTOM. It traded 1,027, most of which were centred in the January 1,350 put option which saw 1,000 contracts change hands.

[illegible]

Total Contracts 22,422

Calls 13,650 Puts 8,772

FT-SE Index Calls 2326 Puts 4467

*Underlying security price. † Long dated expiry months

UK COMPANY NEWS

Mirror Group Newspapers expected to outbid Pointplus of the US

Maxwell set to bid for Monotype

By John Ridding

MR ROBERT Maxwell's Mirror Group Newspapers is today expected to make an offer for Monotype, one of the oldest names in British printing technology which earlier this month agreed a £32m offer from Pointplus, a US investment group.

Mr Maxwell said yesterday that MGN had opened discussions with Monotype with a view to making an offer slightly above the 150p cash per share bid which was currently on the table. Monotype's shares gained 3p to close at 158p.

Should MGN acquire Monotype, which manufactures typesetting equipment and supplies a number of Britain's national newspapers, it would form part of Fifth Wave Technology, a wholly-owned subsidiary of MGN, the formation of which was also announced yesterday.

The new company will manage existing MGN investments in the electronic pre-press publishing business, act as a test bed facility for suppliers of such computer-based systems, and advise the board on installing technology in the newspapers it controls.

Fifth Wave will immediately take over Mirror Group's 27 per cent stake in Scitex, the Israeli-based company, and its recently-acquired 100 per cent holding in QED Technology, a supplier of computerised publishing systems.

Mr Danny Chapchal, former chief executive of Hell-Xenotron, a subsidiary of Siemens which specialises in page make-up, has been appointed chief executive.

Mr Maxwell expressed his interest in Monotype immediately after the announcement of Pointplus' November offer which he described as too low. Monotype presently supplies pre-press equipment to MGN and the two companies also have technical collaboration agreements.

A spokesman for Fifth Wave said *yesterday that Monotype* was "an attractive company in the industry" and that "if the chemistry and price look reasonable after today's meeting between the two companies then an offer should be forthcoming."

A successful bid by Mr Maxwell would mark the latest step in Monotype's long and turbulent history.

Formed at the end of the nineteenth century, Monotype was one of the pioneers of typesetting technology. Its survival has been cast into doubt on a number of occasions and two rescues were necessary between the mid-1970s and 1980s.

Recently, it has suffered renewed problems as a result of poor demand for its Laser-comp page composition equipment and increased competition from larger competitors.

Figures released earlier this month showed that losses for the first six months of the current financial year had risen from £903,000 to £1.29m.

Fletcher bid wins UK Paper

By Maggie Urry

FLETCHER CHALLENGE, the New Zealand-based pulp and paper group, yesterday claimed victory in its £299m cash offer for UK Paper.

This followed an announcement from Metsä-Serla, the Finnish forest products group, that it would not increase its £263m cash offer for UK Paper.

Fletcher Challenge yesterday bought further shares in the market taking its stake in UK Paper to about 42 per cent.The addition of irrevocable acceptances of 7.5 per cent from the board and what is believed to be a similar percentage from management takes Fletcher Challenge to more than 50 per cent.

Metsä-Serla made its offer, worth 330p per share, last month and initially it was recommended to shareholders by UK Paper. However, Fletcher Challenge approached UK Paper after seeing the Metsä-Serla offer and over the weekend put together its 375p per share bid. UK Paper switched allegiance to the higher offer launched on Monday.

After Fletcher Challenge's bid was announced on Monday, Metsä-Serla said it was considering making a yet higher offer, but decided yesterday morning that "a price of 375p is a full price, bearing in mind the undoubted challenges to be faced by UK Paper within Europe." It said it would let its offer lapse on December 28. It has sold its 4.5 per cent stake in UK Paper, bought when it made its offer at prices up to 330p, to Fletcher Challenge.

UK Paper's shares fell 11p to close at 367p yesterday, below the offer price. Bankers said this was because people who accepted the offer would have to wait for their cash, and therefore the market price was discounting the time difference.

Metsä-Serla is expected to seek other opportunities to expand in Europe.

Tiphook defers funding plan

Tiphook, the UK container rental company which is waging a bid battle for Sea Containers jointly with the privately-controlled Stena group of Sweden, is deferring the second instalment on its convertible loan stock issue, writes Nikki Tait.

Tiphook announced the issue as part of the funding plans for its share of the acquisition costs when the struggle first broke out last May. Shareholders subscribed for the first instalment – 105p per unit of stock, raising £55.5m – in July. The second instalment, of 315p per stock unit, was payable in January if the offer had been successful before then.

Medirace seeks £87m to complete acquisition

By Peter Marsh

MEDIRACE, a fledgling pharmaceutical company traded on the Third Market, yesterday proposed a rights issue to raise the £87m needed to complete an ambitious acquisition that will increase its size more than forty-fold.

The company, formed two years ago, has in principle agreed to purchase Evans Healthcare, a private maker of unbranded generic drugs, over-the-counter medicines and vaccines.

As part of the transformation, Medirace next month plans to change its name to Medeva. It also hopes to gain a full Stock Exchange listing.

Last year Evans had income of £43.7m, on which it showed an operating profit of £5.2m. Medirace's current annual sales are about £1m.

Mr Bill Gerard, Medirace's non-executive chairman, said yesterday that the purchase of Evans was needed to raise the size and profile of his company.

Evans, until 1986 a subsidiary of Glaxo, put itself up for sale in the summer. It was formed as a result of a £27.5m management buy-out, financed largely by debt.

The rights issue announced yesterday by Medirace – subject to approval of shareholders at an extraordinary general meeting on January 15 – places a value of about £57m on Evans' shares. The rest of the consideration is largely accounted for by repayment of Evans' debt.

As part of the assimilation of Evans by Medirace, four Evans directors, including Mr David Moffatt, managing director, will be joining the Medirace board. The four had been the main people involved in the Glaxo buy-out and currently own about 30 per cent of Evans.

At present, Medirace's sales mainly come from diagnostic equipment and reagents. It is also developing a novel drug for AIDS and cancer called Contracan which was invented by scientists at Hammersmith Hospital in London.

Mr Bernard Taylor, a former Glaxo chief executive, is *talking to Medirace about* becoming executive chairman early in the New Year.

TVS to dispose of minority stake in MTM

By Raymond Snoddy

TVS Entertainment, the independent television company, is expected to send out formal documents within the next couple of weeks offering up to 48 per cent of MTM, its loss-making US production subsidiary.

The company, which holds the ITV franchise for the south of England and is one of the more desireable targets in the coming round of competitive tenders for commercial broadcasting licences, is eager to reduce its exposure on MTM.

TVS bought the Hollywood independent, famous for programmes such as Lou Grant, Hill Street Blues and St Elsewhere, in July last year for $320m.

MTM has in the past year been hit by a downturn in the US syndication market, the selling of former networks shows to independent stations, and the decreasing popularity of one-hour programmes which are MTM's stock in trade.

It is expected to lose between $16m and $20m this year.

In October Mr Arthur Price, president, chief executive and one of the founders of MTM announced he was resigning. The decision was followed earlier this month by an announcement that Mr Price was to give up, without compensation, rights to a 10 per cent stake in TVS, which was worth more than £11m at the time of the announcement.

An extraordinary general meeting has been called for December 29 to agree the settlement with Mr Price and his close partner Mary Tyler Moore, the actress after whom the company was named.

At the meeting TVS shareholders will also be able to comment on the decision of the board to increase the salary of Mr James Gatward, the TVS chief executive, from £118,000 to £250,000 from January 1.

Sir Mark Weinberg resigns directorships

Sir Mark Weinberg has resigned from the boards of BAT Industries and J Rothschild Holdings. The latter is a partner in Hoylake which is proposing to bid for BAT.

He will remain a director of Allied Dunbar, part of BAT's insurance operations.

Founding family plan to return Saga to private sector

By Andrew Bolger

THE BOARD of Saga Group, the over-60s holiday tour operator, has been approached by the De Haan family, which controls 63 per cent of the company, with a view to taking it private.

Roger De Haan: profit pressure increasingly burdensome

The De Haans, including Mr Roger De Haan, Saga chairman, intend to offer about 300p per share for the outstanding 37 per cent of the equity. The shares jumped from 227p to 283p after the announcement.

Mr De Haan said yesterday that the main reason the company had been floated 11 years ago had been to deal with the tax and estate duty burdens facing his father, the founder, and the rest of the family.

However, he said the over-60s market was becoming as cyclical as the main holiday trade and Saga found the City's short-term pressure to increase profits and dividend increasingly burdensome.

In particular, Mr De Haan said the group was anxious to invest in further diversification into publishing, financial services and retirement homes which would not necessarily bring a quick profit return.

The De Haans had never been willing to dilute their 63 per cent stake, so the company never issued shares to raise funds. Nevertheless Saga has always had a strong cash position and at the end of July it had a cash balance of more than £39m.

Saga's shares have fallen from a high of 306p this year as gloom about consumer spending and pressure on holiday operators has grown. Analysts have forecast pre-tax profits at £5m for the year to January 31, which would give an exit multiple of about 17, twice the sector average.

Mr De Haan said the family, *which is being advised by* Campbell Lutyens Hudson, hoped the offer document would be published next month, subject to the financing being arranged.

The independent directors of Saga, Mr Tim Bull, Mr Jerry Foster, and Mr Robert Levine, are being advised by County Natwest and have said shareholders should take no action in the meantime.

Saga started after the war when Mr Sidney De Haan began filling the family hotel at Folkestone, Kent, with elderly visitors out of season and organising seaside bus tours. It now sells more than 250,000 holidays every year, ranging from cheap long-stay holidays in Spain to expensive long-haul destinations and safaris.

Higgs and Hill gains allies in fight against bid

By Ray Bashford

HIGGS AND HILL has published extracts of letters from leading figures in the housing and construction industry who are supporting its fight for independence

Senior executives of Stanhope Properties, Land Securities, Regalian Properties, Arlington Securities, the Hammerson Group, Ranelagh Developments and Capital and Counties have written to Sir Brian Hill, the chairman, backing the Higgs and Hill board against the £137m takeover offer from YJ Lovell, a competitor in the housing and construction industry.

The letter from Mr Stuart Lipton, the chief executive of Stanhope Properties, said: "I notice with some sadness the bid for your company. I do not know how it will affect you but I do hope that you retain your company's independence."

The extracts are contained in a strongly worded document which again rejects the offer announced late last month. Sir Brian said the company has a bigger future contract workload than in the previous 12 months and again argued that the group was well placed to expand further into continental Europe.

Higgs and Hill recently formed a joint venture with Arlington Securities, a subsidiary of British Aerospace, to undertake development projects in France.

StanChart German link

By David Lascelles, Banking Editor

STANDARD Chartered and Westdentsche Landesbank, West Germany's fourth largest bank, yesterday signed an agreement to together develop their commercial and merchant banking operations.

The deal will enable Westdeutsche to buy 50 per cent of the share capital of Standard Chartered Merchant Bank and 20 per cent of Standard'e specialist financing business.

Payment will be through the injection by Westdeutsche into SCMB of its own asset trading, mergers and acquisitions and specialist finance businesses valued at £16m, and £67m in cash. The enlarged operation will be renamed Chartered WestLB.

Standard Chartered will also sell its European banking businesses in nine European countries, excluding the UK and Switzerland, to WestLB for their net asset value of over £90m in cash.

Standard Chartered will get £160m net from the transactions and shed about £2bn in assets, boosting its total capital ratio by more than 1 per cent.

See Lex

Yorkshire TV ahead 15% to over £18m

By John Ridding

YORKSHIRE Television, one of the big five ITV contractors yesterday announced a 15.3 per cent rise in pre-tax profits from £15.64m to £18.04m for the year to the end of September, despite a relatively poor advertising performance.

Whereas the network as a whole increased advertising revenues by 10.6 per cent over the period, Yorkshire achieved a rise of *only* 5.4 per cent, from £129.41m to £136.42m. As a result, its share of the network total fell from 8.93 per cent to 8.51 per cent.

Mr Clive Leach, managing director, said that the "group's sales force didn't operate well" when the contracts for the period were being negotiated and that Yorkshire had responded by changing the top management of the sales team and forming a new advertising sales company.

According to Mr Leach, the current annual negotiations are "going well" under the new system and the underlying drift of advertising revenues to the south east has ceased.

The period also saw the implementation of further measures to improve efficiency. This involved the reduction in staff numbers, from 1,578 to 1,355, and enabled total staff costs to fall from £43m to £40.4m. At the pre-tax line, however, this was offset by exceptional charges of £3m (£3.7m) relating to the rationalisation programme.

The year's two largest productions, Yellowthread Street and Till We Meet Again, will be transmitted as part of ITV's winter schedule, but the combined costs of about £15m were taken in the accounts.

The group also revealed details of its scheme to retain key executives in the run up to the award of new franchises which will run from 1993 and be awarded on the basis of a competitive tender for the first time. Under the scheme, 18 key executives are included in a profits bonus scheme for which about 4 per cent of pre-tax profits are being put aside each year until the decision on franchise awards is known.

Earnings per share during the period rose from 28.7p to 32.9p and a final dividend of 8p (6.6p) makes 11.3p (9.6p).

● COMMENT

Yorkshire's poor advertising performance takes the shine off an otherwise solid performance. *Particularly* encouraging is the removal of about £3m from staff costs which will show through properly this year given the expected sharp reduction in offsetting exceptionals. In the current year, however, the increase in the Exchequer Levy, from about £9m to £12m, means that Yorkshire will be running hard to make any progress at the pre-tax line. As far as TV share valuations are concerned, however, profits are no longer the name of the game. What matters is franchise retention and protection against franchise loss. On the first count, Yorkshire's licence is unlikely to attract as much competition as, say, TVS or TV-AM, and its management is well regarded - although evidence is needed of improved sales performance. Franchise loss would certainly result in difficulties, despite the reasonable strength of the programme library. The downside is already reflected in a correctly priced prospective rating of just over 8 times.

Radio stakes reshuffle continues

By John Ridding

THE RESHUFFLING of stakes in the commercial *radio sector* continued yesterday with Anglia Television acquiring a further 9 per cent stake in the newly floated Chiltern Radio, and EMAP, the publishing group, expanding its investment in Radio Broadlands and Suffolk Group Radio.

Although relatively small, the moves reflect the increased attraction of investments in the sector, the consolidation of commercial radio into geographical groupings and the diversification of ITV contractors into related areas ahead of *the competition for* new broadcasting franchises.

Anglia Television, which holds the franchise for the east *of England, is paying about* £1.5m to double its investment in Chiltern to 18.13 per cent. Anglia, which is barred by IBA regulations from holding more than 20 per cent of a radio company, said it it would hold the stake for investment purposes.

About a quarter of the new shares were bought in the market at an average price of 270.45p. Chiltern's shares, which were floated earlier this week at 210p, rose 12p yesterday to close at 282p.

EMAP is paying a total of about £1.4m to acquire 4.6 per cent and 17.3 per cent respectively of Radio Broadland and Suffolk Group. The purchase, from Crown Communications, *is conditional on IBA approval* for Broadland'e acquisition of Suffolk and will combine with EMAP's current holding to give it a 19.7 per cent stake in the combined group.

The disposal is in line with Crown's current strategy of concentrating its holdings in the Midlands and south east. Earlier this month it sold its 12 per cent stake in Chiltern Radio to Capital Radio.

Mr Robin Miller, EMAP's chief executive, said that "radio is probably the fastest growing form of media in the UK" and that the City now recognised the "spectacular growth" of the sector.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Braithwaite ....int	1.4	Feb 23	1	-	6.5
Broadwell Land §....int	1.7	-	1.36	-	5
Copson (F) ....int	1†	-	1	-	4
Dwyer ....fin	2.5	Mar 2	2	4	6
F&C Smaller Cos ....int	0.45	-	0.4	-‡	1.3
Faupel Trading §....int	1.85	-	-	-	-
Greenall Whitley ....fin	5.4	Feb 2	4.5	6.7	7.25
NFC ....fin	2.3◆	Apr 6	-	7.5◆	5.72
Tinsley Robor ....int	0.75	-	0.75	-	2.1
West Trust ....int	0.25	-	nil	-	0.25
Westpool Invest ....int	0.35	Feb 10	0.35	-	2.5☆
Yorkshire TV ....fin	8	-	6.6	11.3	9.6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¢Third market. ◆Plus special first interim dividend of 1.2p. ‡Total of 1.45p forecast. ☆Includes special 0.5p dividend.

UK COMPANY NEWS

Greenall disappoints with £52m after property sales

By Jane Fuller

A 40 PER CENT increase in interest payments flattened the performance of Greenall Whitley, the Warrington-based brewery and hotels business, which – before property sales – saw a profit increase of only 4 per cent for the year to September 29.

Market disappointment was reflected in a 15p drop in the share price to 343p yesterday.

The £5.75m rise in interest payments to £19.96m was partly clawed back through property disposals of £7.71m (£4.61m). Property comprised nearly 15 per cent of the £52.02m pre-tax profit, a 10.5 per cent advance on last year's £47.01m.

Mr Michael Davis, director of finance and planning, said the £168m net borrowings would have pushed gearing to more than 30 per cent had it not been for a revaluation of the pubs, adding £255m to shareholders' funds. Instead it stood at just over 21 per cent.

The main beneficiary of a £73m capital spending programme was the De Vere hotels division. Two more were bought, taking the total to 25, and nearly £9m was spent on the Belfry – the north Warwickshire home of golf's Ryder Cup.

This investment paid off through a growth of more than 31 per cent in the UK hotels' operating profit to £18.03m. This was achieved on turnover up nearly 19 per cent. Higher occupancy levels and room rates improved margins.

But the six US hotels continued to disappoint, making only £310,000 (£1.14m).

Mr Andrew Thomas, group managing director, said the head office had been closed and the management contracted out. American franchise names were being sought – which would make the hotels more attractive to potential buyers.

Christopher Hatton: chairman of Greenall Whitley

Greenall Whitley is the UK's largest regional brewer with more than 1,600 pubs. Operating profit from the beer business advanced 9 per cent to £40.76m.

The Davenports brewery in Birmingham has been closed, with a loss of 100 jobs. Closure costs of £6.1m were offset in the extraordinary items by a £10.7m surplus on the sale of bingo activities.

Although beer sales were flat, some fizz was added by lager, helped by the brewing of the Canadian Labatt's brand.

Demand for pub meals had also shown a healthy inc rease.

Mr Davis said that as part of the increased emphasis on licensed catering, 100 pubs and six hotels had been hived off into a new Premier House division, where sales from food and drink were roughly 50:50, compared with the 25:75 split in a typical pub.

Operating profit in its other drinks and leisure division, including 300 off-licences, showed a like-for-like (excluding bingo) increase of 15 per cent.

Group turnover was up 9 per cent from £455m to £496.96m and earnings per limited voting share – helped by a reduced tax charge – improved by 16 per cent to 28.1p (24.2p).

All the comparisons are slightly weakened by the fact that last year's figures were for 53 weeks.

A final dividend of 5.4p makes a total of 8.7p, a 20 per cent increase.

● COMMENT

High UK interest rates have already hit Greenall directly and the double squeeze – perhaps already felt in beer – could increase if business belt-tightening reduces hotel custom. Things should, however, improve in the US, either through the management contractor earning its bacon, or by selling up. While ale prospects continue to look cloudy, lager is brighter and the food-backed pub policy seems set for further growth. There is, however, unease at the proportion of profit derived from property sales. If it more than matches this year's figure, overall pre-tax profit is forecast to reach between £57m and £58m, giving a prospective multiple of about 11. Greenall's main attraction is its net assets of 653p per share, but takeover prospects are clouded by effective family control.

Another suitor for Carron

By Jane Fuller

ANOTHER potential bidder has emerged for Carron Phoenix, the Falkirk-based sink manufacturer which on Monday announced that it had agreed to a takeover proposal from Groupe Bene, a private French company.

The unnamed possible rival has met Carron Phoenix's management to ask for further information about the trading position. Its adviser Brown, Shipley said if there were an offer, it would be in cash.

Bene'e cash offer of 60p per share vales the USM-quoted company at £6.8m.

Carron's share price yesterday rose 10p to 68p.

Tinsley Robor declines 30% to £0.63m

Tinsley Robor, a printing and packaging group, reported a 30 per cent fall in profits from £893,000 to £625,000 for the six months to end-September.

However, the company said that trading had shown some improvement but it was too early to say to what extent this would be maintained.

Directors said that it became apparent early in the year that the machinery division would not meet bndgeted sales or margins and a number of options were being considered including disposal.

Turnover slipped to £17.9m (£18.02m) for lower operating profit of £625,000 (£1.22m).

Earnings per share were 1.45p (2.55p) and the interim dividend is maintained at 0.75p.

NEWS DIGEST

German Smaller to raise £13m

GERMAN SMALLER Companies Investment Trust is to raise some £13.2m net of expenses via a placing and an open offer.

The new ordinary shares and warrants have been conditionally placed, subject to clawback, by Lloyds Merchant Bank through Rowe and Pitman.

A total of 5.25m new ordinary and 1.05m new warrants are being issued in units comprising five new ordinary and one new warrant at £12.90 per offer unit.

Ordinary shareholders and warrant holders are being given the opportunity to apply for the offer units at the placing price on the basis of seven offer units for every 100 ordinary or 100 warrants held on December 12.

F&C Smaller nav rises to 102.1p

The net asset value of F&C Smaller Companies, investment trust, was 102.1p at October 31 – up from 82.7p a year earlier.

Net revenue for the six months to end-October amounted to £951,000 (£749,000) and earnings per share worked through at 1.05p (0.83p). The interim dividend is raised to 0.45p (0.4p) with a forecast total of 1.45p (1.3p).

Harmony Leisure down to £134,000

Reduced pre-tax profits of £134,000 against last time's £258,000 were announced by Harmony Leisure Group, a USM-quoted manager of restaurants and public houses, for the half-year to October 1 1989. At the March 31 year-end losses amounted to £128,000.

Turnover advanced to £4.85m (£3.97m) with operating profits at £274,000 (£251,000). The company does not declare an interim dividend but directors are anticipating a final payment. Earnings came through at 0.37p (0.72p) per 5p share.

Investment in two hotels caused gearing to rise from nil to 20 per cent. That was reflected in an interest charge of £140,000 (£7,000 credit).

Titaghur Jute back in black

The Titaghur Jute Factory, the Calcutta-based company which manufactures a variety of goods from jute, reported attributable profits of £1.07m in the nine months to end-March 1989.

This compared with a loss of £6.77m last time but included an exceptional item – comprising credit balances written back – totalling £3.6m (nil).

Turnover in the period fell by some £7m to £18.79m. Earnings per £1 share worked through at 73.18p (476.41p loss).

Net assets lower at Hambros Advanced

Hambros Advanced Technology Trust reported net asset value of 123p at September 30, compared with 197p a year earlier. The company said that almost all of the fall was the result of paying a special dividend of 65p following the sale of about 8m shares in Racal Electronics.

In the year to the end of September net receipts were £220,000 (£146,000 deficit). During the period there was a transfer from reserves of £14.43m and the special dividend absorbed £12.5m. Earnings per share came out at 0.11p (0.76p losses).

Strata net assets rise to 169.8p

Net assets at Strata Invsstments, an investment trust, were 169.8p at October 31 – up from 147.1p a year earlier.

Assuming the full conversion of warrants the figures were 163.5p (142.8p).

Net revenue for the year to snd-October amounted to £272,000 (£170,000). Earnings improved from 1.11p to 1.67p and the single dividend for the year is raised to 1.15p (0.7p).

Kleinwort Charter nav ahead 27%

A 27 per cent increase to 191.4p in net asset value at November 30, against 150.2p 12 months earlier, was revealed by the results of Kleinwort Charter Investment Trust.

Total income for the year to end-November was up from £6.14m to £8.12m. Management and administration expenses and interest payable rose from £1.77m to £2.03m and tax charged was £1.64m (£1.17m), leaving earnings of 5.46p (3.91p).

The final dividend is a proposed 3.175p (2.3p) making a total of 4.25p (3.25p).

Brunner asset value sharply up to 198.8p

Net asset value of Brunner Investment Trust rose from 141.5p to 198.8p in the year to November 30.

Total income increased from £5.61m to £5.78m. Deducting administration expenses of £526,000 (£435,000), interest of £1.58m (£2.28m) and tax of £913,000 (£792,000) earnings per share were left at 4.29p (3.26p). A final dividend of 2.05p (1.7p) is proposed making 3.75p (3.1p).

Headlam to buy Cadogan Oakley

Headlam Group, the footwear maker, is acquiring Cadogan Oakley, a private company whose activities include manufacture of men's accessories and upholstered furniture.

The payment, in two tranches, will comprise a maximum 23m new Headlam shares, with the initial consideration likely to consist of 16m shares. The tranches will be based on pre-tax profits of both groups this year and next.

Dealings in Headlam shares were suspended on Friday at 76p. There will be no resumption of trading before April 1990.

Dividend rise at River Plate & Gen

Net asset value per capital share of The River Plate & General Investment Trust stood at 166.8p at October 31 1989. At the last year-end it was 168.6p.

Net revenue for the 12 months to end-October amounted to £4.17m (£3.66m). After expenses and interest charges totalling £589,000 (£529,000) and tax of £1.46m (£1.34m) earnings per income share came out at 7.73p (6.79p).

A final dividend of 4.7p (3.6675p) makes a total for the year of 7.7p (6.6675p).

Net assets improve at TR Technology

The net asset value of TR Technology, an investment trust, stood at 149.7p at October 31 – up from 98.4p a year earlier.

Results for the six months to that date showed net revenue up from £1.46m to £1.54m, leaving earnings per share at 1.61p, up from 1.51p last time.

The trust does not declare an interim dividend, but directors expect to pay a dividend for the year of not less than last time's 1.5p.

Strong advance at Booth Industries

Booth Industries, the steel engineering and design group, lifted taxable profits to £351,696 in the six months to September 30 1989.

The outcome, an increase of some 46 per cent on the £241,703 achieved in the corresponding period of last year, was achieved on turnover ahead to £14.19m (£13.31m).

An interim dividend of 0.7p (0.6p) is payable from earnings of 5.72p (3.93p) per share.

Steel Burrill sells agency

Steel Burrill Jones Group, the insurance broker, is to sell a Lloyd's members' agency representing members of Lloyd'e of London who put np capital to CI de Rougemont Holdings, for £1.62m.

The members' agency, Crockford Devitt Underwriting Agencies, was purchased in May this year as part of the acquisition of of the Devitt Group.

Steel Burrill Jones said yesterday, however, that it had always intended to sell the agency which did not fit the group's long-term plans.

COMMODITIES AND AGRICULTURE

Brussels compromises on fishing quota reductions

By Tim Dickson in Brussels

THE BITTER pill of sharply lower catches for the North Sea fishing fleet was partially sugared yesterday by a compromise package of 1990 fishing quotas agreed by the 12 member states of the European Community.

A frantic night of negotiations by Fisheries Ministers in Brussels persuaded the Commission to raise the Total Allowable Catch for several key species beyond its original proposals – but the final outcome is still a considerable reduction in the fishing effort in areas of Community waters of key interest to British boats.

This week's talks took place in an atmosphere of growing crisis in the Community's fishing industry with all sides fully aware that there were too many fishermen chasing a diminishing number of fish.

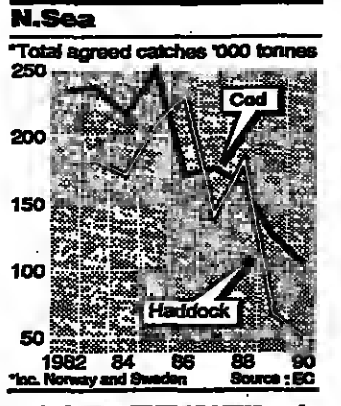
Inevitably perhaps the result of the negotiations pleased few of the participants. The concessions, while insufficient to satisfy some member states, were clearly too generous at the end for the liking of Mr Manuel Marin, the Fisheries Commissioner. Praised by the French chairman of the meeting for having shown ministers "that we can't behave like ostriches," Mr Marin sounded a warning at the end of the meeting that some of the allowable catch totals were too high for medium and long-term health of the industry.

The British delegation – led by Mr John Gummer, the UK's Fisheries Minister, and strengthened overnight with the appearance of Mr Malcolm Rifkind, the Secretary of State for Scotland – appeared to be reasonably happy with the results of its high pressure lobbying campaign.

Following consultations with the Norwegian Government overnight on some of the jointly-managed North Sea stocks, the TACs were increased to levels which the ministers felt more in tune with the scientific advice. (The Commission incidentally rejects the implication that its original proposals were too tough, pointing out that its figures were simply at the low end of the biologists' range).

N.Sea

"Total agreed catches '000 tonnes



*Inc. Norway and Sweden Source: EC

SCOTTISH FISHERMEN, who account for most of the UK catch, yesterday reacted with resignation to the quota agreement, writes James Buxton in Edinburgh. "The Ministers have simply gone back to what the scientists said in the first place," said Mr Iain MacSween of the Scottish Fishermen's Organisation.

Fishermen would now have to decide whether to spread the remaining haddock quota over the whole of 1990, or use it up in the first five or six months. The consensus in the industry was to spread out the quota over the year, but this would put financial pressure on the newer boats which were most financially exposed.

He said the Government would now have to face the question of de-commissioning and of paying boats to be laid up. It was essential that decommissioning was orderly, leaving the most modern boats in the fleet. If market forces were allowed to prevail some of the best but most financially exposed boats could be decommissioned.

Thus the Community's share of the North Sea cod TAC was agreed at 98,270 tonnes (of which the UK gets 46,180 tonnes), against 90,270 tonnes under the Commission's proposal and 118,750 tonnes in 1989.

The EC share of the North Sea haddock quota for 1990 will be 41,700 tonnes (UK share 35,280) against 62,500 tonnes for this year. Commission officials point out, however, that in view of the smaller-sized fish this means that the reduction in the fishing effort compared with 1988 levels will be just 20 per cent.

The EC share of the plaice TAC, meanwhile, will be 176,900 in 1990 against 182,700 this year.

Britain's haddock quota was boosted by the provisions of the so-called Hague Compromise which are triggered when the total catch limits fall below a certain threshold – though the proportional increase was less than that achieved under the same convention last time. A bigger battle for Mr Gummer was to win acceptance of the idea that fishermen can pursue migrating mackerel beyond the 4 degrees west line which forms the boundary of a key zone to the north of Scotland.

The principle was finally accepted by the Commission, but the quantities involved in this exercise were cut from 35,000 tonnes this year to 28,000 tonnes in 1990.

An important declaration to the compromise commits EC experts to report by 1 June next year on ideas to improve conservation policy (mesh sizes, landing sizes, excessive "discards" in mixed fisheries). But in a clear dig at those who think this is an easy solution to the current problems one experienced EC official emphasised last night that "experience shows how very difficult this one is."

Spain and Portugal voted against the package because they were unhappy with their share of the Greenland TACs and (in Spain's case) because it has felt the Commission has been too generous to Canada in negotiations over fishing in North West Atlantic waters.

Not all the news, however, was bad. The North Sea sole quota has been increased from around 16,000 tonnes to 25,000 tonnes – a decision which could be worth around £50m to the Dutch fleet. No wonder that the Netherlands was one of the most enthusiastic backers of the Commission's stance during the negotiations.

Heroes and villains in Japan's paddy war

Rice rebels anger the authorities but are lionised by consumers, reports Stefan Wagstyl

RICE, A gift from the gods in Japanese legend, has proved a mixed blessing for the people of Ogata village, in northern Japan.

They are some of Japan's wealthiest farmers, rich enough to afford foreign holidays and sports cars and to consider building their own golf course. But the community is split into two warring factions, whose members trade insults if they meet in the street. Neighbours refuse to speak to each other. Their children fight at school. Mr Seiki Miyata, the mayor, has the support of half the village while the other half is suing him in court. He says: "The atmosphere in Ogata is bad."

The root of the trouble is the determination of nearly half the village's 589 families to ignore rules which give the Government a virtual monopoly over rice distribution. The state buys rice at inflated prices in order to protect the Japanese farmer from the consequences of his own inefficiency. Imports are banned.

Many farmers cheat a little, sending rice by post to friends and relatives. But the Ogata rebels sell almost all their output on the black market – in defiance of the Government, the protests of other farmers and the anger of their fellow villagers.

The black market price corresponds precisely to the official retail price – Y20,000 to Y22,000 (£86 to £95) per 60 kg bag. But, of course, there are no volume controls and since black market rice has the cachet of being "fresher" the demand is strong. The alternative for the farmer is to sell surplus production to the state at lower prices for animal feed grade rice (which happens to be the same standard as regular rice.)

Ashley Ashwood

Many Japanese farmers sell some rice on the black market

The Ogata entrepreneurs truck their rice to big cities at night, to avoid confronting government inspectors. The officials try to obstruct the rebels, but are powerless to stop them because the law on rice sales is too vague to stand up in court.

The Government is at a loss what to do. The effects of the dispute have spread far beyond the wind-swept rice-paddies of Ogata. Consumers lionise the rebels for the fresh high-quality rice they supply. The national farmers' union sees them as traitors, who threaten to undermine Japan's whole carefully-constructed system of agricultural subsidies.

Some of the Ogata rebels portray themselves as champions of the free market and rail against the power of the Japanese bureaucracy. But their opponents say the rebels are just being greedy – breaking rules out of self-interest, not for the sake of principle.

It is all a far cry from the model farm community that Ogata was intended to be when it was built on land reclaimed from a large lake in the 1950s and 1960s. The Y85bn project spearheaded post-war Japan's effort to become self-sufficient in food. Settlers were recruited from all over the country. Emperor Hirohito opened one of the seven bridges which link Ogata to the mainland.

But even before the last villagers arrived in 1978, the Government had switched from boosting rice production to trying to limit it.

The Ogata farmers' dream went sour as the Ministry of Agriculture Forestry and Fisheries began to set national limits on the proportion of paddies on which a farmer could grow rice. The rest had to be turned over to vegetables, or left fallow. They protested, saying all their land was paddy, but the Ministry insisted that rice could be grown on only half. Over the years Ministry concessions have raised the limit to two-thirds, but Ogata says this is still not enough.

Farmers elsewhere in Japan say Ogata is already getting more than its fair share of the benefits of the national rice policy. The village's large and fertile farms produce rice at less than half the Japanese average cost. The paddies are so large that special combine harvesters are imported from Europe – Japanese models, the size of large lawnmowers, are too small.

Within Ogata, most farmers initially agreed to keep to the Government's rules, while taking every opportunity to press their case. Eleven years ago 554 families burnt their surplus rice in a protest against the national policy.

But a small group refused to obey and started selling their rice on the black market. They have been welcomed by consumers who complain that officially-distributed rice is often stale. Co-operatives were set up in cities to take delivery of Ogata rice and distribute it door-to-door. The rebels' numbers have grown ever since, as their neighbours watched them grow rich and fight off repeated challenges from government officials. Mr Miyata, the mayor, estimates the rebels' average household incomes at Y30m a year, against Y25m for the rest of the village.

In 1985, the authorities tried to force the issue by surrounding the village for three months with police checkpoints and having trucks searched. But the farmers won, smuggling their rice out in small lots in car boots. Last year officials tried again, and three rebel farmers were arrested. But the local public prosecutor threw out the charge on the grounds that almost every farmer in Japan sold at least some rice on the black market. So the law protecting the Government's monopoly could not be enforced.

Mr Tadashi Kurose, one of the rebels' ring-leaders, says he is still harassed by local agriculture ministry officials, who call on him to try to persuade him to keep the rules. He tells them to go away. "They have no right to come on to my land without a warrant," he says.

Nevertheless, the farm ministry this autumn managed to prevent national trucking companies from distributing rebel rice. Mr Kurose and his colleagues switched to local operators. He controls a tightly organised network of farmers, truck companies and drivers, linked by telephone and fax.

Mr Kurose says he is not breaking any laws – only administrative guidelines. "People should choose whether or not they keep guidelines," he says. "But they don't. We are not democratically-minded in Japan."

Mr Miyata purses his lips at the mention of Mr Kurose's name. He says he is trying to negotiate further concessions from the agriculture ministry, but admits it may too late to win over the likes of Mr Kurose. He is in the midst of a law-suit pressed by rebels who charge he illegally used village funds to print anti-rebel leaflets.

Last year, Mr Miyata won the village election with just 53 per cent of the vote against 47 per cent for a rebel candidate. Next time, in 1991, he fears he may lose.

Ogata has become a painful example of the limitations of the Japanese preference for consensus. Mr Susumu Kato, a local agriculture ministry official, says: "99 per cent of problems can be solved by consensus. Ogata belongs to the other 1 per cent. There can be no compromise between Ogata and the rest of Japan."

US group boosts Indonesian copper investment

By John Murray Brown in Jakarta

FREEPORT McMoRan, the US-based mining concern, is doubling its investment in an Indonesian copper mine as part of a corporate restructuring.

Freeport has awarded a us dollars 500m mine (development contract to Fluor Daniel, the US engineering and construction company under a $500m expansion scheme for its Ertsberg copper deposit in the frontier province of Irian Jaya.

A new find at the nearby Grasberg Mountain has doubled proven reserves to 3.6m tonnes. Gold reserves have also been increased to 6.7m ounces. All production currently goes to Japan in concentrate form.

Finance is to be provided under a $550m 10-year loan syndication agreed in November and co-led by J.P. Morgan, the New York bankers, and Fuji Bank of Japan. The agreement, which is at 1.125 per cent over Libor, is on non-recourse terms where project revenues act as collateral for the lenders, and service the loan.

Last year Freeport Indonesia recorded net income after tax and royalties of $43.4m, up from $16.7m in 1987. Meanwhile Mr Ginandjar Kartasasmita, Indonesia's Energy Minister, has insisted that a planned copper smelter be located within Indonesia. The local government in Irian Jaya, which has called on Freeport to create more jobs, wants the plant sited in the province. Currently only 20 out of a total workforce of 3,500 are local Irianese, according to officials.

The Freeport expansion is the first stage of a major capital restructuring unveiled last month. The New Orleans-based minerals group announced a planned asset shake-up involving the sale of $1.5bn worth of gold, and oil and gas interests in North America, to fund development of the Indonesian copper mine and a profitable sulphur deposit in the Gulf of Mexico. Officials said the sale should be complete by 1990.

With the new discovery Freeport Indonesia expects to produce around 135,000 tonnes of copper a year – around 2 per cent of world supply. Because of high grade ores and large gold deposits the mine has remained profitable even through the recent copper price decline.

For each tonne of copper concentrate the mine produces 10 grammes of gold. In 1988 Freeport was Indonesia's largest gold producer, exporting 2.8 tonnes. Today Ertsberg is the country's only copper development. It was originally the only wholly foreign owned investment in Indonesia – as opposed to joint ventures. The Government now holds a 9 per cent stake – 3.7 per cent is owned by the German Group Norddeutsche Affinerie.

Indonesia recently extended a geological survey contract with Australian to complete work on the eastern part of Irian Jaya. BHP, Australia's largest company, is currently mining at Ok Tedi across the border in Papua New Guinea. Freeport has exclusive exploration rights on a 25,000 sq km concession, extending along the Carsteng mountain range, which geologists say is highly prospective.

Nigerian cocoa export ban denied

NIGERIA'S Military Government has denied a report that it is to impose a ban on the export of raw cocoa beans, reports Reuter from Lagos.

"For now, emphasis will be on the exportation of finished or semi-processed cocoa beans and not a total ban on the exportation of the raw commodity," said a statement issued yesterday by the office of the Chief of General Staff, Vice-Admiral Augustus Aikhomu, in a "clarification" to a speech he made on Monday.

State radio had quoted Vice-Admiral Aikhomu, a member of the Armed Forces Ruling Council, as saying that a ban on raw cocoa exports would take effect from next year.

WEEKLY METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,680-1,725 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 4.00-4.40 (4.10-4.50).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 5.00-5.25 (4.75-5.20).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.45-7.70 (7.40-7.70).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 240-250 (240-255).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.47-2.55 (2.50-2.60).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.50-6.10 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 44-61 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 2.20-2.40 (2.30-2.50).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.20 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

ALUMINIUM prices on the LME continued to retreat yesterday, with cash metal shedding $27 to $1,587 a tonne, the lowest closing price since the 99.7 per cent cash price came on the board in August 1987. The market was unsettled by talk that last week's heavy selling had been mainly hedging of Brazilian metal and not investment fund liquidation. The end to the Venezuelan dockworkers' strike and the reversion of the market to a contango (discount against three-month metal) also helped to undermine market sentiment. Copper prices fell – analysts said that the market had resumed its bear trend after hitting stiff chart resistance in the $2,400 to $2,420 area recently. Zinc was also in retreat. Once the end-year technical supply squeeze is over, the market is expected to ease in response to a sluggish physical sector.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.97-7.07w	+0.02
Brent Blend	$19.50-9.55w	+0.10
W.T.I. (1 pm est)	$21.37-1.40w	+0.32
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$161-193	
Gas Oil	$217-219	-2.5
Heavy Fuel Oil	$110-112	-2
Naphtha	$171-172	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$414.25	+5.00
Silver (per troy oz)♣	556c	+4
Platinum (per troy oz)	$508.15	+2.40
Palladium (per troy oz)	$136.75	-0.50
Aluminium (free market)	$1686	-30
Copper (US Producer)	107⅞-112c	+½
Lead (US Producer)	39.5c	
Nickel (free market)	435c	
Tin (Kuala Lumpur market)	18.45r	-0.04
Tin (New York)	320c	+1
Zinc (US Prime Western)	73⅜c	+⅛
Cattle (live weight)†	111.56p	-3.04*
Sheep (dead weight)†	203.08p	+1.11*
Pigs (live weight)†	91.05p	-4.64*
London daily sugar (raw)	$331.4t	-1.6
London daily sugar (white)	$377.5t	+4.0
Tate and Lyle export price	£320.5	-1.5
Barley (English feed)	£116.5	
Maize (US No. 3 yellow)	£131	
Wheat (US Dark Northern)	£132	
Rubber (spot)♥	55.00p	-0.25
Rubber (Jan)♥	57.50p	-0.25
Rubber (Feb)♥	58.50p	-0.25
Rubber (KL RSS No 1 Jan)	226.5m	+0.5
Coconut oil (Philippines)§	$440x	
Palm Oil (Malaysian)§	$270	-5
Copra (Philippines)§	$280	
Soyabeans (US)	£174z	-1
Cotton "A" index	77.30c	-0.80
Wooltops (64s Super)	576p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct. x-Dec/Jan. t-Jan/Feb. v-Feb/Mar. w-Feb. z-Jan †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	646	646	646	642
Mar	632	628	633	625
May	642	640	642	637
Jul	657	656	657	651
Sep	674	672	674	668
Dec	697	695	697	690
Mar	717	712	717	710

Turnover: 7088 (2853) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 19 737.12 (733.33): 10 day average for Dec 20 750.35 (752.87)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Jan	645	647	646	633
Mar	642	646	645	633
May	657	662	661	647
Jul	676	682	680	666
Sep	697	701	696	690
Nov	714	715	712	709

Turnover: 6034 (2891) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 18: Comp. daily 60.91 (62.25). 15 day average 61.50 (61.55)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	300.60	304.20	305.20	300.20
May	301.00	304.60	305.40	301.20
Aug	297.60	301.00	302.00	298.00
Oct	291.60	294.60	295.40	291.40
Dec	289.00	293.00	288.00	
Mar	277.80	280.20	277.60	
White	**Close**	**Previous**	**High/Low**	
Mar	373.50	373.50	376.00	373.00
May	377.50	377.60	379.60	377.00
Aug	386.00	388.50	386.00	385.00
Oct	360.00	360.50	361.50	359.00
Dec	349.50	350.50	350.50	349.50
Mar	349.00	350.50	349.50	

Turnover: Raw 1502 (1286) lots of 50 tonnes. White 1198 (343)
Paris- White (FFr per tonne): Mar 2228, May 2260, Aug 2328, Oct 2170, Dec 2125, Mar 2138.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Feb	19.55	19.37	19.70	19.46
Mar	19.07	18.91	19.23	19.03
Apr	18.70		18.73	18.70
IPE index	19.51	19.11		

Turnover: 7258 (5873)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Jan	208.75	210.25	215.00	207.00
Feb	194.00	193.00	197.50	190.00
Mar	180.00	179.50	182.00	178.00
Apr	170.80	169.00	171.25	169.00
May	197.00	164.00	167.00	165.50
Jun	162.00	162.00	162.00	
Jul	163.00	163.00		

Turnover 10017 (9371) lots of 100 tonnes

JUTE

January/February c and f Dundee BTC $600, BWC $600, BTD $530, BWD $530; c and f Antwerp BTC $585, BWC $575, BTD $515, BWD $505.

COTTON

Liverpool- Spot and shipment sales for the week ended 19 December amounted to 117 tonnes against 22 tonnes in the previous week. Trading was fair with operations occurring in Russian, West African and Chinese growths.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 8,650 tonne
Cash	1586-8	1613-5	1581	1580-1		
3 months	1594-5	1617-8	1620/1585	1589-90	1593-4	35,984 lots
Copper, Grade A (£ per tonne)						Ring turnover 29,950 tonne
Cash	1488-90	1515-6	1495/1473	1474.5-5.5		
3 months	1494-5	1515-6	1498/1480	1482-3	1495-6	74,258 lots
Lead (£ per tonne)						Ring turnover 5,525 tonne
Cash	426-8	433-5	421/420.5	420.5-1.0		
3 months	425-6	427-8	426/421	421.5-2.0	425-6	10,816 lots
Nickel ($ per tonne)						Ring turnover 3,294 tonne
Cash	9275-375	9350-400	9550/9400	9400-500		
3 months	8375-425	8850-75	8500/8375	8475-500	8325-75	7,416 lots
Tin ($ per tonne)						Ring turnover 1,000 tonne
Cash	6920-40	6900-20	6940/6930	6920-30		
3 months	7050-60	7025-40	7070/7060	7050-70	7060-70	6,311 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 34,200 tonne
Cash	1500-10	1600-10	1510/1504	1501-3		
3 months	1351-2	1381-2	1365/1350	1355-60	1351-5	16,849 lots
Zinc ($ per tonne)						Ring turnover 6,150 tonne
Cash	1385-90	1490-500	1385	1400-10		
3 months	1325-30	1360-70		1325-30	1325-35	1,600 lots

LME Closing £/$ rate:
SPOT: 1.6025 3 months: 1.5778 6 months: 1.5536 9 months: 1.5320

POTATOES – IPE £/tonne

	Close	Previous	High/Low	
Apr	209.5	209.9	210.0	209.5
May	235.0	233.8	234.0	

Turnover 47 (58) lots of 40 tonnes.

SOYABEAN MEAL – IPE £/tonne

	Close	Previous	High/Low
Feb	142.00	141.50	142.00
Apr	141.40	141.40	

Turnover 26 (77) lots of 20 tonnes.

FREIGHT FUTURES – IPE $10/index point

	Close	Previous	High/Low	
Dec	1601	1603		
Jan	1641	1648	1646	1632
Apr	1660	1668	1665	1651
Jul	1402	1408	1400	
Oct	1515	1523		
BFI	1596	1603		

Turnover 161 (69)

GRAINS – IPE £/tonne

Wheat	Close	Previous	High/Low	
Jan	112.80	112.90	112.90	112.40
Mar	116.50	116.60	116.60	116.30
May	119.95	120.20	120.00	119.70
Jun	121.50	121.65	121.60	121.50
Sep	106.25	106.25		
Nov	109.60	109.60		
Barley	**Close**	**Previous**	**High/Low**	
Jan	110.25	110.55	110.50	110.60
Mar	112.80	113.00	113.00	112.60
May	114.50	114.85	114.50	114.25

Turnover: Wheat 279 (283), Barley 144 (29).
Turnover lots of 100 tonnes.

PIGS – IPE (Cash Settlement) p/kg

	Close	Previous	High/Low	
Feb	108.0	108.0		
Apr	108.9	109.9	108.9	
Jun	109.9	109.9	108.5	108.9
Aug	109.0	109.5		

Turnover 16 (13) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	414-414½	258¼-258¾
Opening	413¾-414¼	257½-258
Morning fix	411.30	256.421
Afternoon fix	412.40	257.380
Day's high	414½-415	
Day's low	411-411½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	423-428	264-267
Britannia	423-428	264-267
US Eagle	423-428	264-267
Angel	423-428	264-267
Krugerrand	413-417	257½-260½
New Sov.	97-98	60½-61½
Old Sov.	97-99	60½-61½
Noble Plat	514.25-522.40	320.60-325.70
Silver fix	**p/fine oz**	**US cts equiv**
Spot	346.40	555.70
3 months	359.00	567.15
6 months	371.95	578.60
12 months	396.75	601.40

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1500	97	104	1	11
1600	19	41	22	48
1700	1	11	103	114
Copper (Grade A)	**Calls**		**Puts**	
2300	67	124	7	66
2400	29	78	54	116
2500	9	43	131	181
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
600	–	53	–	13
650	1	25	9	35
700	–	12	57	72
Cocoa	**Mar**	**May**	**Mar**	**May**
600	49	46	17	23
650	24	38	42	47
700	19	20	78	79
Brent Crude	**Feb**	**Mar**	**Feb**	**Mar**
1800	73		9	
1850	40	94		32
1900	39	64	15	52

US MARKETS

IN THE METALS, slow, two-sided action was featured in most markets due to the upcoming holidays, reports Drexel Burnham Lambert. Gold finished the day unchanged. Copper and platinum were firm while silver slipped. In the softs, scattered short covering pushed cocoa futures higher. March cocoa rose 16 closing at 916. Sugar and coffee were both quiet. The livestocks were once again dominated by local participants. Hogs and cattle closed higher while bellies slipped. The grain markets had light commercial selling in the soy complex. Wheat rose 2 1/4 basis March on tender business from China. The energy markets continued to feature brisk trading. Heating oil remained strong while crude and gasoline were mixed. New York prices were not available for this edition.

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	578/4	580/6	582/0	578/0
Mar	593/0	594/6	595/4	592/0
May	605/4	608/0	608/0	605/0
Jul	614/4	616/6	617/4	614/2
Aug	616/4	619/0	618/4	616/4
Sep	615/0	615/6	616/0	613/4
Nov	619/4	619/6	620/4	618/0
Jan	629/0	629/4	629/4	628/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	19.08	19.26	19.35	19.09
Mar	19.58	19.72	19.78	19.56
May	19.98	20.19	20.15	19.98
Jul	20.22	20.34	20.40	20.20
Aug	20.25	20.36	20.35	20.26
Sep	20.25	20.37	20.38	20.25
Oct	20.29	20.37	20.26	20.30
Dec	19.12	19.22	19.20	19.08

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	183.6	183.9	184.5	183.2
Mar	182.8	183.4	183.9	182.2
May	182.9	183.5	183.5	182.1
Jul	183.9	184.5	184.0	183.1
Aug	184.2	185.0	184.9	183.5
Sep	184.9	185.5	185.5	184.9
Oct	184.7	185.0	185.5	184.5
Dec	186.7	185.6	190.0	185.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	238/6	239/2	239/2	238/4
May	243/4	244/0	244/0	243/2
Jul	247/2	247/6	247/6	247/0
Sep	248/6	247/0	247/4	248/0
Dec	233/4	234/4	234/4	233/0
Mar	253/4	262/4	263/4	251/4
Mar	252/4	262/6	253/0	252/0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 19	Dec 18	mnth ago	yr ago
1807.8	1823.1	1852.8	1919.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec 18	Dec 15	mnth ago	yr ago
Spot	128.28	128.42	129.59	139.66
Futures	130.05	130.74	131.11	144.58

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	414/2	412/0	414/4	409/6
May	391/2	389/4	391/4	387/2
Jul	361/2	360/0	361/4	358/4
Sep	366/2	364/4	366/4	364/0
Dec	411/0	415/0	415/6	410/4
Dec	375/6	376/4	376/4	374/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	78.92	78.27	78.95	78.20
Feb	76.62	75.97	76.65	75.70
Apr	74.87	74.55	74.90	74.20
Jun	71.65	71.72	71.70	71.20
Aug	71.32	70.65	71.35	70.50
Oct	71.60	70.62	71.60	70.70
Dec	71.80	0	71.80	71.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	53.45	53.46	53.47	52.95
Feb	49.97	49.70	50.00	49.30
Apr	45.85	45.67	45.90	45.30
Jun	49.05	49.07	49.10	48.80
Jul	49.15	49.27	49.25	48.95
Aug	48.05	48.05	48.05	47.75
Oct	43.90	43.90	44.00	43.70
Dec	45.82	45.90	45.82	45.70

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	51.60	52.07	52.20	51.20
Mar	51.32	51.75	51.72	50.80
May	51.67	52.20	52.15	51.50
Jul	51.57	51.90	52.10	51.40
Aug	49.80	49.96	50.20	49.60
Feb	53.02	53.02	53.50	53.00
Mar	52.65	52.95	53.50	0

LONDON STOCK EXCHANGE

Wall Street news upsets UK equities

AN ATTEMPT by London's equity market to rally from an early depression caused almost entirely by Wall Street's overnight performance was demolished later in the day when the US stock market embarked on another downward slide, taking London with it.

There was considerable surprise and some dismay in London at the outset of trading yesterday when share prices were sharply lower in response to the 42-point slide in the Dow Jones Average. The Dow mirrored big selling of shares in US banks which were said to be highly exposed to property loans.

But London dealers said the early markdown of prices failed to trigger any substantial selling and the market embarked on a sustained rally which brought the FT-SE 100-share index back almost level before a general lack of interest triggered another small reverse in sentiment.

Prices thereafter marked time until the opening of Wall Street. The latter promptly moved lower, showing a 30 point fall at one time before steadying, and then rallying. But the early fall wrought plenty of damage in a rather fragile London market which dipped off to its lowest point an hour or so before the close prior to edging off the bottom.

The FT-SE index was estimated by dealers to have been down around fifteen points before the official opening, and at its best was down 1.3 at 2,357.2 in mid-morning. The afternoon session saw it down 19.8 at 2,338.7 before a close of 2,342.1, a net decline of 16.4.

One feature of the day was a sharp increase in bed and breakfast activity as the year end looms. Among a host of sizeable individual trades showing up on the Seaq ticker were 2.9m Sears, 2.1m British & Commonwealth, trades of 5.6m and 8.4m in Next, 3.7m Bunzl and trades of 2.7m and 2.5m in Storehouse.

There was again no shortage of takeover speculation but unlike Monday there was a distinct shortage of actual bid news. UK Paper shares, one of Monday's best performers after the Fletcher Challenge bid and market raid, fell back as Metsa-Serla, the original bidder, withdrew. This left the field clear for the New Zealand company's brokers, BZW, to pick up more stock in the market.

The water stocks, after their outstanding performances triggered by the stakebuilding by Lyonnaise des Eaux, encountered a flurry of selling by private individuals anxious to reap some of the big profits available in the stocks. Dealers said many investors had received their interim share certificates and that, when the rest were delivered, more big selling could be on the cards.

Elsewhere, there was keen interest and big turnover in ASDA, the food manufacturer and retailer, which attracted big traded options business, and in Smith & Nephew.

Account Dealing Dates

*First Dealings:	Dec 11	Dec 27	Jan 15
Option Declarations:	Dec 21	Jan 11	Jan 25
Last Dealings:	Dec 22	Jan 12	Jan 26
Account Day:	Jan 2	Jan 22	Feb 5

*New time dealings may take place from 8.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Dec 19	Dec 18	Dec 15	Dec 14	Dec 13	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.19	84.04	83.99	83.98	83.88	87.26	89.29 (9/2)	82.90 (4/12)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.33	92.28	92.25	92.27	92.19	96.15	99.59 (15/3)	92.92 (6/12)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1852.5	1864.5	1851.7	1871.4	1880.1	1438.3	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	311.3	315.2	308.4	311.9	317.8	162.9	317.8 (13/12)	164.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2342.1	2358.5	2344.7	2367.0	2386.2	1777.4	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.59	4.58	4.59	4.54	4.52	5.11				
Earning Yld %(full)	11.21	11.15	11.19	11.08	11.01	12.81				
P/E Ratio(net)(*)	10.79	10.85	10.82	10.93	10.99	9.35				
SEAQ Bargains(5pm)	32,224	26,538	29,761	32,978	38,212	19,237				
Equity Turnover(£m)†	-	1002.11	842.51	1083.64	1187.38	893.76				
Equity Bargains†	-	28,746	32,086	38,883	45,712	19,284				
Shares Traded (ml)†	-	444.9	385.6	464.4	500.9	379.2				

Basis 100 Govt. Secs 15/10/26. Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. o Nil 10.73

Ordinary Share Index, Hourly changes — Day's High 1863.2 — Day's Low 1849.2

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1858.5	1858.3	1861.8	1860.3	1861.0	1861.2	1857.9	1851.2

FT-SE, Hourly changes — Day's High 2357.2 — Day's Low 2338.7

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2352.0	2350.4	2354.6	2354.7	2355.4	2356.1	2350.5	2340.5

GILT EDGED ACTIVITY

Indices*	Dec 19	Dec 15
Gilt Edged Bargains	71.4	79.6
5-Day average	75.6	77.5

*SE Activity 1974 †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index Tel. 0898 123001

Two-way trade in Asda

A strong two-way pull developed in Asda taking turnover in the stock to among the highest in the market. Activity began in the traded options market where Asda led the list of actives for the entire day's trade. The business soon spilled into the underlying equity where volume swelled to 20m shares by the close, including a single block of 6.6m shares. Traded option contracts for the equivalent of another 1.5m shares were exchanged. The shares firmed 1½ to 109p.

Traders' initial suspicions were that the Canadian Belzberg brothers were topping up their stake of more than 5 per cent, or that a third party was buying at an average price far below that paid by the Belzbergs. But some preferred a more prosaic explanation, saying that sellers were a combination of other traders, who had built up long books over the months of speculative interest in the company, and cautious institutions switching into stocks whose price was more easily justified on fundamentals. The buyers, they said, were a range of arbitrageurs and other short-term holders working on the view that Asda's was an attractive company going through tough times.

Water sellers

As share certificates in the water companies started dropping on the doormats of private investors yesterday, so turnover jumped and the prices fell [illegible].

The two shares with the biggest premiums to the issue price dropped furthest. Northumbrian fell 14 to 147p on 2.1m shares traded and Anglian 13 to 148p on 11m. Both had started the day at 161p. North West dropped 9 to 146p on 10m, Severn Trent 9 to 134p on 14m, Southern 7 to 144 on 4.4m, Thames 4½ to 143½p on 12m, Welsh 10 to 142p on 4.2m and Wessex 8 to 162p on 5.2m). South West, on 4.5m, was the most resilient and closed unchanged at 155p. The Package Unit fell 65 to 1443p.

The certificates were posted on Monday and Schroders, which handled for flotation of the water stock for the Government, said 95 per cent of certificates would be delivered by today. One marketmaker said retail sales could double today. "The premium is so good that they want the money in their pockets by Christmas," he said but added that the institutions were still underweight and that there had been some arbitraging by marketmakers between book positions and the package unit.

Dr Angela Whelan, water analyst at BZW, said that many of the institutions which were still underweight had indicated yesterday morning they thought prices were too high. She said some might buy if the price fell as a result of retail selling. Others, she said, were prepared to wait a couple of weeks until share prices were less driven by technical considerations.

One analyst identified four water issues he said would fall furthest: Northumbrian and South West, because they had the lowest proportion of applicants for preference shares, and Anglian and Thames, because their customers were more financially sophisticated.

Wall Street's weakness took its toll on several internationally quoted stocks, particularly those traded mostly in New York. Reuters fell 25 to 1028p, Blue Arrow lost 5 to 83p, Unilever shed 7 to 699p and Glaxo closed 16 cheaper at 778p. Another victim was the Saatchi & Saatchi share price, 14 off at 249p with volume swollen by what dealers assumed to be bed and breakfast deals, to 4.1m shares.

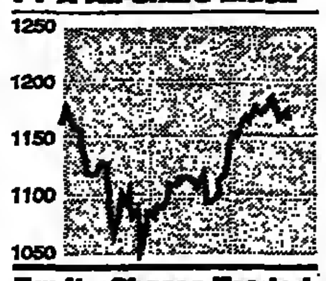
One exception to the weakness of international stocks was Wellcome. The shares jumped 30 at one point on vague stories of a cure for Aids combining the company's Aids treatment, Retrovir, with a bone marrow transplant. But trading quickly calmed down and the shares closed just 7 up on the day at 762p, still a record closing high.

NatWest Bank was the most active of the clearing banks because it was seen as most exposed to the US property market where jitters had undermined Wall Street overnight. NatWest fell 11 to 335p on strong turnover of 5.1m.

The oil and gas sector was caught in a two-way pull, with bulls pointing to yet another bout of strength in crude oil prices ahead of what weather forecasters in the US say is another wave of cold weather due to sweep across the US - and bears highlighting the Monopolies & Mergers Commission report into petrol retailing which is expected to go to the Department of Trade and Industry today.

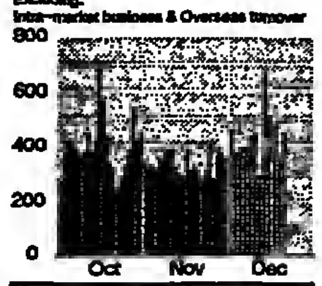
Some analysts reckon that the report, which can be published any time after it has gone to the DTI, would contain moves which could be construed as being against the oil companies' interests, but that their impact on profitability would be small. BZW suggested that the report may recommend that oil companies be prevented from increasing the number of service stations they control, that price support mechanisms by the companies be checked and that a regulatory body be set up. BZW said the report may have a short term impact on share prices of the majors.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



BP settled 1¾ easier at 326p on turnover of 5m shares, while Shell dipped 2 to 475p on 1.9m. Burmah, a strong performer in recent months after a stake-building by SHV, the privately-owned Dutch group, eased 2 to 688p ahead of a presentation to analysts hosted by Hoare Govett.

Sovereign Oil held at 204p after announcing its third gas discovery in the North Sea this year. The latest find came from the first exploration well drilled on Block 49/5b.

Overnight weakness in Wall Street hurt Bass, reviving apprehension over the extent to which the company's Holiday Inns acquisition would dilute earnings. Bass slipped to 1038p before recovering to close 10 to 1048p, still 17 down.

Buying of Guinness in Monday's programme trades left some dealers short of the stock yesterday. The shares rose 6 to 666p, one of the day's best performances among FTSE stocks. Analysts added that the Guinness price is driven by events in France - the company owns 24 per cent of the French luxury goods group LVMH, which has only 12 per cent of Guinness. Both companies have said they want the crossholding to be symmetrical, which dealers take to mean at 24 per cent. Most observers agree that any buying of Guinness shares by LVMH would not start until after the settlement of a long-running legal dispute over the ownership of a block of LVMH shares.

A 10.6 per cent improvement in full year profits to £52m from Greenall Whitley only confirmed the dim view taken by investors of second line brewers. The shares fell 15 to 343p. The producers of last week's disappointing profits figures in the same sector, Wolverhampton & Dudley and Devenish, continued to slide. They fell 6 to 432p and 4 to 282p respectively.

The revelation that Anglia TV was acquiring another 9.07 per cent of Chiltern Radio, taking its stake to 18.3 per cent pushed the latter's shares 15 better to 285p. Anglia slipped 2 to 280p.

USM-quoted Crown Communications fell 10 to 264p after the company sold stakes in two local radio franchise operators, Broadlands and Suffolk, to magazine publisher Emap (unchanged at 235p).

The family of Mr Roger De Haan, the chairman of Saga, the tour operator for the elderly, said it had made an approach to the company's board which, subject to financing, could lead to an offer of around 300p per share for the 37 per cent of Saga not already owned by the De Haan family interests. Saga jumped 66 to 293p.

The battle for UK Paper, which some in the market had felt would be protracted, ended abruptly when one of the two bidders for the company, Metsa-Serla of Finland, said it would allow its offer to lapse. UK Paper fell quickly in hectic trading to close 12 down at 387p on turnover of 37m shares. The other bidder, Fletcher Challenge, the New Zealand forest products group, claimed to have secured control of 51 per cent of UK Paper by 11am yesterday. Some in the market were claiming a record of 33 hours from agreeing a bid price for a company to securing control. The buying was conducted by BZW.

Metsa-Serla had offered 330p and Fletcher 375p. The difference between Fletcher's offer price and last night's closing price is a result of the dealers spread (the closing price is a mid-price) and the time value of money (those accepting the offer will have to wait for their cash).

Advertising agency Yellowhammer fell 10 to 71 as dealers said the company was briefing institutional shareholder about the recent trading performance, while its much larger rival WPP slipped 14 to 663p on fears that a long standing client of Ogilvy & Mather, acquired earlier this year, was reviewing its £10m a year contract.

Christie International edged up to 283p as the market greeted its annual figures with enthusiasm. Autumn sales were £675m an increase of 70 per cent on last year and total sales were 49 per cent better than last year. The figures were slightly ahead of expectations although, as Mr Mark Sheppard research analyst at UBS Phillips & Drew, pointed out, Christie's sales figures are easy to track.

British Aerospace fell 11 to 582p in profit taking and T & N was similarly affected, dropping 8 to 208p.

Furniture-maker Delaney Group eased in early trading following a profits warning but bounced back to close a penny better on balance at 37p. Braithwaite climbed 4 to 298p following the announcement of a 44 per cent rise in interim profits to a record £2.62m.

Business was brisk in Smith and Nephew with 13m shares traded. There was nothing suspicious, said one market watcher, the companies shares had lagged the market in recent weeks.

NFC went better early on following the announcement of its annual figures. But after a second look the market decided that, taking out the loss elimination and pensions contributions, the figures were not much better than the £90m it had been expecting and the shares closed 5 down at 255p.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	2,000	166	-9	Comm. Union	1,100	503	+2	Lloyds Bank	1,400	434	-1	Sears	4,300	106	+3
ASDA Group	20,000	108	+1½	Cookson	1,000	298	+2	LASMO	611	611	+1	Sedgwick	471	302	-1
Abbey National	4,800	171	-1	Courtaulds	160	379	-1	Lonrho	1,200	291	-2	Shell Transport	2,000	476	-1
Allied-Lyons	441	487	-8	Dalgety	430	403	+2	Lucas	270	618	-6	Siebe	780	448	-11
Amstrad	1,800	49	-2	Dixons	1,800	133		MB Group	531	198	-1	Slough Ests	462	328	+3
Argyll Group	1,400	226	+2	Eng. China Clays	346	430	+1	MEPC	227	534	-2	Smith (W H) A	196	332	-1
Ass. Brit Foods	30	414	-4	Enterprise Oil	671	646	-5	Marks & Spencer	3,000	195	-4½	Smith & Nephew	13,000	130½	
BAA	1,000	362	-4	FKI	7,100	87	+3	Maxwell Comm.	226	236	-1	Smh Beecham	2,100	580	-12
BAT Inds.	1,900	822	-4	Ferranti	8,130	34	-1	Mecca Leisure	4,400	164	-2	Smh Beecham Units	611	529	-13
BET	1,100	257	+1	Fisons	2,800	395	+1	Midland Bank	1,100	388	-7	Smiths Inds	133	[illegible]	-4
BICC	540	471	+1	Gen. Accident	251	1184	+1	NatWest Bank	6,100	335	-11	Standard Chartd.	1,600	548	+8
BOC	198	543	+1	General Elect	3,100	222½	-1½	Next	17,000	80	+1	Storehouse	8,400	108	-3
BPB Inds.	617	233	+2	Glaxo	1,300	778	-16	Northern Foods	214	324	-3	Sun Alliance	1,000	328	+1
BTR	1,600	465	-4	Globe Inv	430	136	-3	Pearl	5	[illegible]		Sun Life	[illegible]	[illegible]	-2
Barclays	1,300	548	-9	Glynwed Int.	1,000	281		Pearson	132	748	-1	T&N	1,000	208	-9
Bass	993	1048	-17	Granada	294	313	-6	P & O	842	585	+1	TI Group	839	417	
Beazer	379	164	-1	Grand Met.	1,100	604	-9	Pilkington	2,400	228	-4	TSB	348	174	
Beresford Int.	502	144		GUS A	232	1078	-16	Polly Peck Intl.	864	398		Tarmac	1,400	236	-4
Blue Arrow	150	83	-4	GRE	3,100	234	-1	Prudential	1,600	223		Tate & Lyle	657	378	-1
Blue Circle	2,100	234		GKN	1,200	438	+2	RHM	289	472	-2	Taylor Woodrow	773	298	-4
Boots	2,700	262	-7	Guinness	901	666	+6	RMC	540	[illegible]	-4	Tesco	1,600	182	+2½
Brit & Comm.	13,000	100	+4	[illegible] 'A'	2	831		RTZ	913	580	-7	THORN EMI	326	774	-4
Brit. Aerospace	694	582	-11	Hanson	5,700	216½	-1	Racal	7,300	239	-9	Trafalgar House	1,600	348	-11
British Airways	5,400	217	-4	Hanson Warrants	408	53	-1	Racal Telecom	93	367	-11	Trusthouse Forte	1,900	301	-2
British Gas	8,600	225		Harrisons Cros.	134	155	-1	Rank Org.	714	840	-1	Ultramar	1,500	367	+2
Britain Land	1,800	392	+9	Hawker Sidd.	273	681	+4	Reckitt & Colman	223	1272	-12	Unigate	1,600	322	+4
BP	5,300	327	-½	Hillsdown	2,400	284		Redland	310	843	-7	Unilever	2,100	688	-7
British Steel	2,500	131½	-1½	IMI	130	213	-1	Reed Intl	784	438	-2	United Biscuits	434	382	-7
British Telecom	2,800	289	-1	ICI	735	1123	+4	Reuters	748	1028	-25	Utd Newspapers	1,100	476	
Bunzl	4,500	194		Inchcape	142	381	+2	Rolls Royce	2,800	178	-2	Wellcome	1,300	762	+7
Burmah Oil	453	688	-2	Jaguar	4	846		Rothmans	104	653	-4	Whitbread 'A'	868	384	-4
Burton	1,400	136	-1	Kingfisher	187	291	-2	Ryl Bk Scotland	1,600	201	-1	Williams Hldgs.	862	298	-2
Cable & Wire.	2,100	518	-12	Ladbroke	1,900	322	-4	Royal Insurance	2,800	533	-9	Willis Faber	184	278	-3
Cadburys	2,100	344	-1	Land Securities	347	523	-1	STC	2,100	298	-8	Wimpey	283	340	-3
Calor Group	538	418	-2	Laporte	82	480		Saatchi	4,100	218	-14				
Carlton Comms.	208	868	-13	Legal & General	509	436		Sainsbury	2,700	279	+3				
Coats Viyella	2,000	140	-1	Lloyds Abbey	1,800	307	-1	Scottish & New.	704	298	+2				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Laird Group bucked the market and continued its steady rise with a climb 5 to 241p. One market watcher reported growing talk of a bid, this time suspicion pointing at Continental, a West German maker of tyres. A large part of Laird's business is German made seals. Old favourites BTR was also mentioned as possible bidders.

BTR was also linked with FKI which traded strongly with 7.1m shares changing hands. The price rose 3 to 87p. Some in the market said that BTR was building a stake; others said that one marketmaker was short of stock following a programme trade on Monday.

One analyst said the most plausible explanation was that FKI is fundamentally cheap and highly tradeable.

Another said that there had been strong two-way trade for a while, some investors had decided that a p/e of just over five was a "bit tough for even a relatively unattractive company." He said he expected the FKI price to get nearer to a pound. Amid the swirl of speculation BTR closed 4 lower at 465p.

Cable and Wireless were down 12 to 518p. The fall was sparked by ADR selling in New York overnight after which arbitrageurs moved in to exploit the price difference and sell in London. The shares were pushed down further in the afternoon by the weakness of Wall Street.

Trebled profits and an announcement by the company that it was in talks with a prospective suitor lifted Broadwell Land 17p to 206p.

The bid talked helped revive takeover speculation which has surrounded London Edinburgh, which rose 7 to 166p, and Rosehaugh which climbed 6 to 472p.

The market had expected an announcement by British Land, ahead of its EGM on Thursday to approve a proposed restructuring. One analyst said that he took the silence to mean that British Land planned a revised proposal which would win over institutional shareholders. The shares rose 9 to 392p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 21

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (49). BRITISH FUNDS (1) AMERICANS (1) [illegible] (1) STORES (1) ELECTRICALS (4) [illegible] INSURANCE (1) PAPERS (1) PROPERTY (3) SOUTH AFRICANS (1) TRANSPORT (1) TRUSTS (1) OILS (1) MINES (3). NEW LOWS (4). AMERICANS (1) CANADIANS (1) BREWERS [illegible]

(1) BUILDINGS (1) CHEMICALS (1) STORES (1) ELECTRICALS (1) ENGINEERING (1) FOODS (1) INDUSTRIALS [illegible] Grp., Delaney, London Finance & Inve., [illegible] Tst., INSURANCE (1) MOTORS (1) NEWSPAPERS (1) PAPERS (1) PROPERTY (1) SOUTH AFRICANS (1) TEXTILES (1) TRUSTS (1) MINES (1) THIRD MARKET (1)

APPOINTMENTS

Company secretary of BICC

■ Mr Stuart Murray has been appointed company secretary of BICC from March 1. He rejoins the company from Sears where he was company secretary. Previously he was assistant secretary at BICC. Mr Murray succeeds Mr Brian Farr who retires at the end of February.

■ AKELER HOLDINGS has appointed Mr Trevor Silver to the board. He is a director of group companies Akeler Developments, and ConstrucThor.

■ Mr Ian Stewart, MP, has been appointed a non-executive director of STANDARD CHARTERED from January 1. He was Minister of State for Northern Ireland until his retirement from Government last July.

■ Mr C.J. Evans, group personnel manager, has been promoted to assistant group general manager (personnel), at ROYAL INSURANCE from January 1.

■ Mr Michael McLoughlin has been appointed executive director of CO-OPERATION IRELAND, U.K. He was general manager - Britain, Bank of Ireland.

The THOMAS ROBINSON GROUP has appointed Mr Bob Butler (above) as director and general manager of Robinson Milling Systems, Cheadle Heath. He was sales and marketing director.

■ TULLOW OIL has appointed Mr Tom Toner as non-executive chairman, succeeding Mr Geoff Cawley who is resigning to pursue private business interests. Mr Toner is a director of the Bank of Ireland, chairman of Arnotts, chairman of Irish Intercontinental Line, and a director of Irish Shell.

■ Mr Charles Mullins has been appointed to the boards of both Towry Law (Pension Consultants) and Towry Law (Pension Services). Overall, he is responsible for TOWRY LAW's pensions division in Scotland.

■ Dr Michael Hughes has been appointed director of the organics division of BAYER UK, a subsidiary of the West German company; Mr Hans-Guenter Hussels has taken over as director of information technology and logistics; and Dr Alan McGilvray becomes director of the rubber business group.

■ Mr Cameron M. McKay, managing director of Plasmec Systems, has been appointed to the board of the parent company, PLASMEC.

■ GRAMPIAN TELEVISION has appointed to the board Mr George Mitchell as director of programmes. He was programme controller.

■ HARMONY LEISURE GROUP has appointed Sir Stanley Grinstead, former chairman of Grand Metropolitan, and Mr Bob Dawson, corporate development director of R.K.F. Group, as non-executive directors. Sir Stanley is to be appointed chairman.

■ Mr Rowan Hill has been appointed national accounts manager, sales aid (a new post), at BARCLAYS MERCANTILE BUSINESS FINANCE, part of Barclays Bank Group.

■ Mr James Barrett has been appointed chief executive of HENRY BARRETT GROUP from January 1. He continues as managing director of the steel services division. Mr Guy Barrett, chairman, becomes non-executive chairman on March 17.

ALLIED DUNBAR ASSURANCE, part of BAT Industries, has appointed Mr Keith Carby (above) as joint managing director from January 1. He will also join the board of B.A.T. Financial Services. He was sales director.

■ Mr Jeffrey Green and Mr Peter Dobbs have been appointed chairman and managing director, respectively, of NICHOLSON CHAMBERLAIN COLLS SPECIAL RISKS, a new subsidiary of Nicholson Chamberlain Colls Lloyd's insurance broking group.

■ Mr Arthur Dynes, managing director, protective equipment division, has been appointed to the board of BLAGDEN INDUSTRIES.

FT LAW REPORTS

No duty owed to husband on sale of wife's property

PARKER-TWEEDALE v DUNBAR BANK PLC AND OTHERS
Court of Appeal (Lord Justice Purchas, Lord Justice Nourse and Sir Michael Kerr): December 14 1989

A MORTGAGEE, when exercising its power of sale over mortgaged property, owes no duty to the holder of a beneficial interest in the property to take reasonable care to obtain a proper price.

The Court of Appeal so held when dismissing an appeal by the plaintiff husband, Mr Barry James Parker-Tweedale, from Mr Justice Peter Gibson's decision that the first defendant, Dunbar Bank plc, owed him no duty to take reasonable care to obtain a proper price on the sale of his wife's property. The second defendant was the purchaser, Penbrook Land Ltd, and the third defendant was Mrs Annabel Theresa Parker-Tweedale, the plaintiff's former wife.

LORD JUSTICE NOURSE said that the husband and wife were married in 1973 and had two children. In September 1985 they completed the purchase in the wife's name, of Ditchford Hill Farm in Gloucestershire. The price was £248,000. The wife was sole legal owner.

The purchase was made with the aid of borrowings from Dunbar, in whose favour the wife executed legal charges. Each charge provided that the statutory power of sale should immediately be exercisable at any time after moneys owing became payable.

On September 3 1985 the husband executed a statutory declaration that he occupied Ditchford as licensee under a licence determinable at will. The effect was to deprive him of any right which he might otherwise have to remain in possession as against Dunbar.

In early 1985 the husband and wife moved to Ditchford. In mid-February he was knocked down by a car and seriously injured. The accident marked the start of a progressive decline in his finances.

By the beginning of October 1985 the borrowings secured on Ditchford had reached some £164,000 and Dunbar's loan facility was increased to £180,000. At about the same time the husband and wife agreed to separate. It was arranged that the wife should purchase in her own name Wilkes Farm near Stratford on Avon for £130,000, as a home for herself and the children.

The Wilkes purchase was completed in April 1986 partly with £72,500 borrowed from Dunbar and secured on Wilkes, partly with £55,000 borrowed from the Co-operative Bank and secured by second mortgage on Ditchford. The balance was paid by the husband.

By the end of August 1986 the husband had failed to pay the interest due to Dunbar on the moneys secured on Ditchford. Dunbar obtained a County Court order for possession. On May 27 1988 Dunbar as mortgagee, with the approval of the wife as mortgagor, sold Ditchford to Penbrook for £575,000.

On June 2 Penbrook agreed to sell all of Ditchford, except for a five and a half acre wood, to another company called Cotswold Counties Development. Contracts were exchanged between Penbrook and Cotswold on June 27. However, by that time the husband had issued the writ in the present action claiming that Dunbar did not take reasonable care to obtain a proper price.

On June 23, before the exchange of contracts, he registered a pending action in the land charges registry. Consequently Dunbar was unable to complete its sale to Penbrook, and Penbrook was unable to give good title to Cotswold. By agreement Cotswold and Penbrook rescinded their contract.

Mr Justice Peter Gibson concluded that although the property remained in the wife's ownership until sale, once it was sold the husband was entitled to the net proceeds after discharge of the Ditchford and Wilkes mortgages.

He therefore held that on May 27 1988 the husband had an interest which would arise on sale of Ditchford in the surplus proceeds of sale, and that the wife was accordingly trustee of Ditchford, the husband being a beneficiary under such trust.

None of that was disputed on the present appeal.

The husband submitted that Dunbar, in exercising its power of sale, owed him, as beneficiary under a trust of which it had notice, an independent duty to take reasonable care to obtain a proper price over and above the duty owed to the wife as mortgagor.

It was settled in *Cuckmere Brick v Mutual Finance [1971] Ch 949* that a mortgagee, although he might exercise his power of sale at any time of his own choice, owed the mortgagor a duty to take reasonable care to obtain a proper price for the mortgaged property at that time.

But there was no support in the authorities or in principle, for the proposition that where the mortgagor was a trustee of the mortgaged property, a like duty was owed to a beneficiary under the trust, of whose interest the mortgagee had notice.

The husband relied on *Cuckmere Brick* where Lord Justice Salmon said that the proximity between mortgagor and mortgagee "could scarcely be closer. Surely they are 'neighbours.'" He said "it would be strange indeed" if the mortgagee were under no legal obligation to take reasonable care to obtain the true market value.

That reference to "neighbours" enabled the husband to argue that the duty was owed to all those within the neighbourhood principle; ie to all persons who were so closely and directly affected by the sale that the mortgagee ought reasonably to have them in contemplation as being so affected when directing his mind to the sale.

Support for the application of the neighbourhood principle was obtained from the judgment of Lord Denning MR in *Standard Chartered Bank v Walker [1982] 1 WLR 1410, 1415.* There it was held that the duty to take reasonable care to obtain a proper price was owed to a surety for the mortgage debt as well as to the mortgagor himself.

It was unnecessary and confusing for the duties owed by a mortgagee to the mortgagor and the surety, if there was one, to be expressed in terms of the tort of negligence. The authorities demonstrated that the duty owed by the mortgagee to the mortgagor was recognised by equity as arising out of the particular relationship between them. The duty owed to the surety arose in the same way (see *China and South Sea Bank v Tan November 13 1989, PC*).

Once it was recognised that the duty owed by the mortgagee to the mortgagor arose out of the particular relationship between them, it was readily apparent that there was no warrant for extending its scope so as to include a beneficiary under a trust of which the mortgagor was trustee.

The husband reached a settlement with the wife before the trial began. That meant he could no longer pursue against her his claim that she had consented to the sale in breach of trust to him.

But the argument had proceeded on the footing that, if there were a breach of trust, the husband's settlement with the wife did not preclude him from suing Dunbar in right of the trust and in the place of the wife.

Accordingly, the question which Mr Justice Peter Gibson ultimately had to ask himself was whether there was a breach of trust by the wife in giving her consent to the sale.

He concluded that her honest and well-intentioned decision to go ahead with the sale to Penbrook was a rational commercial decision made in the reasonable belief that she was ensuring the property was sold at the best price, and that £575,000 was a proper price.

The judge accordingly held that as the husband had no cause of action against Dunbar as beneficiary, so he had no such cause of action in right of the trust.

The essential basis of that holding, namely the finding that £575,000 was a proper price, would also have defeated the claim based on a duty owed directly by Dunbar to the husband, had such a duty existed.

The appeal was dismissed.

Lord Justice Purchas and Sir Michael Kerr gave concurring judgments.

For Dunbar: Timothy Lloyd QC and Stephen Acton (Clintons)
For Penbrook: Henry Summerfield (Philip Ross & Co)
For the wife: Maurice Kay QC and Steven Whitaker (Baldocks)
Mr Parker-Tweedale in person

Rachel Davies
Barrister

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	54 45	54.99	50.51	-0.92	4.68
Gilts & Fixed Inc	6	107.00	107 80xd	114 40	+0 70	8 74
High Inc Equity	6	136.30	136.30	145.00	-0.10	4.36
Worldwide Bond	6	208.20	208.20xd	220.00	-0.30	4.81
Capital Growth						
American Growth	6	196 40	190 20	210 90	-4 40	1.04
Asian Pacific	6	120.80	123.30xd	131.20		0 99
Assets & Earnings	5	157 20	157.20xd	168 20	-0.30	2.20
Capital Reserve Acc	0	88.54	88.54	88.71	+0.20	6.76
Capital Reserve Inc	0	70.58	78.58	78.73	+0.18	7.62
Comdty & Energy	6	119.30	119.30	127 40		1 49
Dividend & Growth	6	46.77	47.48	55.52	-0.06	4.45
1992 Enterprise	6	62.61	63.93	00.02	-0.14	2.44
Euro Capital Acc	6	100 10	100.90	107 40	-0.60	0 70
Euro Capital Inc	6	96.30	97.29	103 50	-0 70	0.75
General	6	179.00	179.00	192.30	-0 40	2.00
International	6	00.71	61.56	65.49	-0.30	0 76
Japan	6	126.80	129.10	137.48	-1.50	0.00
Mastertrust	6	93.17	90.17	99.00	-0.75	1.71
UK Growth Acc	6	178.30	178.38	190.70	-0.30	1.67
UK Growth Dist	6	117.70	117.70	125.90	-0.20	2.53
US Emerging Cos	6	52.58	54.04	57.49	-0.93	0 05
Income & Growth	6	306.60	306.40xd	328.00	-0.50	[illegible]
Ethical	6	47.03	47.00	50.30	-0.21	[illegible]
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	33.54	33.34	35.59	-0.37	3.02
European	5¼	74.51	79.62	84.49	-0.05	0.00
European Income	5¼	76.61	76.61xd	81.79	-0.33	2.08
Exempt	1	782.8	782.8	814 1	-2.50	1.62
Extra Income	5¼	44 04	44.04xd	47.02	-0.04	4.25
F East Emerg Econ	5¼	64.75	00.80	69 70	+0.26	0.80
Fund Inv Tst	5	132.4	136 0	145.2	-0.20	1.66
Do Accum	5	207 6	213.3	227.7	-0.10	1.67
Gilt & Fixed Int	5¼	19 92	20.27xd	21.63	-0.04	11 43
Income & Growth	5¼	72.42	72.41	77.30	-0.09	3.61
Intl Income	5¼	67.94	67.94	72.51	-0.03	4.44

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Buckmaster Mangmt Co Ltd – Contd.						
International	5	114.7	114.7	121.3	-2.3	1.00
(Accum Units)	5	157 7	157 7	166.8	-3.1	1.00
Smaller Co's	5	102.6	104.1xd	110.4	-1.0	2.37
(Accum Units)	5	113.8	115.5xd	122.5	+0.1	2.37
Inv Portfolio	2½	54.70	55.72	57 44	-0.18	3.57
(Accum Units)	2½	56.87	57.84	00.63	-0.19	3.57
High Income Port	3	48.01	48.76	50.53	+0 04	5.73
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Sht Dtd Gilt & FI	1¼	55.22	55.22	56.00	+0.02	12.82
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 01-407 5966						
F & B Sel Ind Gwth	5½	51 93	51.93xd	50.87	-0 97	1.54
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SO 01-740 7070						
UK General Tst	5½	55 74	56.70	60.04	-0 14	2 23
Global Tst	5½	97 64	47.98xd	51.31	-0 45	2.01
Recovery Tst	5½	46 88	46.88	51.78	-0.09	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000						
Growth Fd Acc	5	114.7	116.2xd	122.6	-0.2	4.25
CIS Unit Managers Ltd (1000)F						
PO Box 105, Manchester M60 0AH 061 837 5060						
UK Growth	6	104 7	106.3	113.1	-0 2	2.27
UK Income	6	103.3	104.9	111.7	-0 1	5.04
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America	5	64.44	64.44	05.55	-1 64	1.10
CS International	5	61.04	61.09	04 90	-0.88	1.50
CS Japan	5	155.3	155.3xd	165.2	+0.4	0.35
CS Portfolio Inv ♦	5	70.47	70 47xd	74.96	-0.33	3.65
Canada Life Unit Tst Mgrs Ltd (1200)F						
High St, Potters Bar, Herts. EN6 5BA 0707 51122						
Can Gen Dist	5	150 6	153 3	161.0	-0 40	2.88
Do Gen Accum	5	254.3	259 0	271 9	-0 80	2.88
Do Income Dist	5	95.50	97 95	102.8	-0.10	5.48
Do Inc Accum	5	224.9	230.0	242.3	-0.20	5.48
UK & Fxd Int	5	36 53	36 62	38.45	+0.14	8.35
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB						
01-902 8876. Dealing: 0800 282621						
Growth	5½	36.25	38 74	41.43	-0.21	2.47
Income	5½	48.80	49.27	52.83	+0 08	3.92
Far East 6	5½	41.73	42.51	45.22	-0.30	0.00
North American 6	5½	37.70	38.13	40.70	-1 36	1.76

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Merlin Jupiter Unit Tst Mgrs Ltd (0905)F						
197 Knightsbridge, London SW7 1RB 01-581 3020						
American Cap	5	106.3	104 0	115 9	-2.2	0.87
Income	5	98.00	100.1	106.4	-0 2	3.98
Resources & General	5	128.0	131.1	139.4	+0.3	2.31
Special Sits	5	33.02	35.03	37.26	+0.46	3.90
International	5	59.84	61.35	65.26	-0.3	1.80
Ecology	5	60.90	62.67	66.67	-0.17	1.89
Metropolitan Unit Trust Mngrs Ltd (1000)F						
5 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184						
Eurogrowth Plus	6	67.11	67.83	72.16	-0.28	0.66
Global Growth	5¼	46.34	46.34	49.30	-0.72	0.51
Global Income Acc	5¼	05.96	61.78xd	65.72	-0.3	3.04
04 Income	5¼	56.88	57 64xd	61.32	-0.28	3.26
Sunrise Accum	6	59.75	70.61xd	75.44		0.05
UK Growth Acc	5¼	57.82	57.82xd	61.51	-0.1	1.63
UK Income Acc	5¼	67 85	69 46	73 88	+0.88	4 06
Do Income	5¼	63.19	64.68	68.81	+0.82	4.36
Midland Unit Trusts Ltd (1200)F						
192 Eyre Street, Sheffield, S1 3RD 0742 529888						
British Tst	6	62.15	62.55	00.90	-0.2	2.91
(Accum Units)	6	60.16	63.57	67.99	-0.2	2.91
Capital	6	116.8	116.0	124.9	-0.1	2.17
(Accum Units)	6	169.0	169.0	180.7	-0.3	2.17
European Growth	6	151.4	151.4xd	161.4	-0.8	0 69
(Accum Units)	6	186.7	186.7	199.0	-1.0	0.69
Extra High Inc	6	70.96	71.65	76.55	-0.04	7.16
(Accum Units)	6	97.67	94.48	106.4		7.16
Gilt & Fxd Int	4	50.56	50.56xd	52.80	-0.12	8.75
(Accum Units)	4	105.2	105.2	109.9	+0.3	8.75
High Yield	6	205.2	208.7xd	223.2	-0.2	5.70
(Accum Units)	6	404.8	411.6	440.2	-0.5	5.70
Income	6	248 2	251.1	268.6	-0.5	4.62
(Accum Units)	6	448.7	453.8	485.4	-1.0	4.62
Intl High St. UT	6	59.95	59 95	64.13	-0.38	1.40
(Accum Units)	6	61.79	61.79	66.00	-0.39	1.40
Japan Growth	6	441.6	441.6	472.3	-5.2	0.00
(Accum Units)	6	464.2	464.2	496.5	-5.4	0.00
Mandarin Tst	6	67.30	67.30	71.90	-0.2	0.48
(Accum Units)	6	67.85	67.85	72.57	-0.2	0 48
Mngd P'folio Acc	6	74.82	75.58	80.83	-0.37	2.27
Money Market UT	4	49.81	49 81xd	51.80	-0.01	12.92
(Accum Units)	4	55.24	55.24	57.45	+0.01	12.92
North American	6	127.3	127.3xd	136.1	-2.4	0.00
(Accum Units)	6	157.2	157.2	168.1	-2.9	0.00
Smaller Cos	6	152.9	152.9	163.5	-0.4	2.17

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
12 Carthusian St, London EC1M 6EB 01-796 1200						
American*	4	66.47	66.90	69.81		0.8
Far Eastern*	4	194.46	199.02	206.90		0.1
Growth†	4	192.86	195.17	207.32		4.8
Income†	4	142.92	141.67	153.78		6.1
Scandinavian†	4	73.28	73.28	76.21		0.3
† Dealing Day: Wed. *Dealing day: Thurs.						
Pearl Unit Trusts Ltd (1000)H						
PO Box 500, Thorpe Wood, Peterborough PE3 660						
Dealing: 0800 626577 Enquiries: 0733 67767						
Growth	5	116.5	119.0	125.2		2.93
(Accum Units)	5	185.7	189.7	194.6		2.93
Income	6	180.6	183.9	195.6		3.90
Equity	6	180.6	183.7xd	195.4		2.63
(Accum Units)	6	340.6	346.5	368.5		2.63
Intl Equity	6	185.7	185.9	197.8		1.54
(Accum Units)	6	193.1	195.5	207.9		1.54
UK Income	6	49.57	50.40	53.61		3.96
UK Intl 25	6	47.31	47.92	50.97		2.80
Pembroke Administration Ltd (1700)F						
18-19 Sandland St, London WC1R 4PZ. 01-430 0556						
Pembroke Accum	5	82.68	85.82	90.90		2.43
Perpetual Unit Tst Mngmt (1200)F						
48 Hart Street, Henley on Thames 0491 576868						
International Gwth	5½	368.16	368.16	393.76	-3.90	1.44
Income	5	244.14	244.14	261.12	+0.06	4.95
W'wide Recovery	5½	216.79	235.79	251.87	-1.96	1.05
American Growth	5½	93.50	93.55	100.06	-1.67	1.35
Intl Emerging Cos	5½	98.97	98.97	105.06	-0.34	0.92
Far East Gwth	5½	146.31	146.52	156.71	+1.51	2.05
European Gwth	5½	93.94	94.32	100.88	-0.57	1.10
UK Growth	5½	46.43	46.43	49.66	-0.37	2.66
High Income	5½	57.48	57.48	61.48	-0.85	6.60
Japanese Gwth	5½	157.46	157.46	167.97	-1.05	0.01
PEP Gwth & Inc ♦	5½	55.28	55.28	59.02	(z)	3.50
Phillips & Drew Unit Managers Ltd						
14 Finsbury Square, London EC2A 1PD 01-628 6070						
Charities Fxd Int		97.13	97.13	97.25		10.2
Charities Ind Ltd		104.4	104.4	104.5		2.4
UK Exempt		108.00	108.00	110.50	+0.6	5.0
Charities Intl		119.2	119.2	120.9		2.5
Prolific Unit Tst Mngrs Ltd (1200)H						
222 Bishopsgate, London EC2 01-247 7544/7						
American Income	5	65.57	66.15	70.53	-0.61	3.45
Conv & Gilt	5	122.1	122.1xd	130.7	+0.2	6.78
Euro Gwth & Inc	5	57.48	58.39	62.39	-0.31	1.51
Extra Income	5	133.6	135.4xd	144.6	+0.4	4.84
Far East ♥	5	276.9	277.8	295.4	-1.5	0.81
High Income	5	87.49	87.49	93.37	-0.11	4.77
International	5	162.4	163.4	173.9	-1.2	0.30
Nth American	5	155.7	157.3	168.1	-3.0	0.01
Pref & Fxd Inc	5	44.68	44.68	47.78	-0.71	8.40
Special Sits	5	111.0	111.0xd	118.7	-0.3	1.51
Technology	5	138.6	138.6xd	147.9	-3.1	0.13
Providence Capital Fd Mgrs Ltd (1000)H						
30 Uxbridge Road, London W12 8PG 01-749 9111						
European Acc	5	138.5	138.3xd	148.3	-1.4	0.69
European Inc	5	132.8	132.8xd	142.4	-1.3	0.69
Japan Acc	5	129.6	129.6	138.8	-1.4	0.00
Japan Inc	5	129.3	129.3	138.5	-1.4	0.00
Nth American Acc	5	67.91	67.91	72.23	-1.11	0.91
Nth American Inc	5	65.10	65.10	69.23	-1.07	0.91
UK Equity Acc	5	86.48	86.48xd	92.95	-0.5	3.61
UK Equity Inc	5	77.69	77.69xd	83.51	-0.27	3.61
Worldwide Acc	5	115.0	115.0	122.9	-0.8	0.85

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Provident Mutual Unit Tst Mgrs Ltd (0905)M						
25-31 Moorgate, London. EC2R 6BA. 01-588 3963						
PM Equity Gth	5	170 7	120 7	129 4	+0 6	4 44
PM Income & Gth	5	97 37	97 37	103 5	+0 3	[illegible]
PM Nth Amer Gth	5	59 73	59 73	63 54	[illegible]	[illegible]
PM European Gth	5	63.42	55 41	57 45	[illegible]	[illegible]
PM Japan Gth	5	88 04	88.21	95 04	[illegible]	[illegible]
PM Overseas Gth	5	58.43	00 43	62 13	[illegible]	[illegible]
Prudential Holborn Unit Tsts Ltd (1445)H						
52-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377						
Holborn LinkLine 0800 010345						
Two Hourly Pricing						

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Wardley Unit Tst Mngrs Ltd (0900)H						
3 Harbour Exchange, London, E14 9GE 071-955 5055						
American ♦	5¼	70.90	70.90	75.82	-2.07	1.4
Intl Growth ♦	5¼	84.44	84.44	90.31	-1.13	1.0
Income ♦	5¼	130.0	130.0	139.0	-0.40	4.7
Japan Growth ♦	5¼	253.7	254.1	271.8	-3.00	0.1
Pacific Perf ♦	5¼	167.6	167.6	179.2	-1.10	0.1
Small Co's ♦	5¼	128.6	128.6	137.5	-1.00	1.4
Technology	5¼	31.36	33.36	35.67	-0.20	0.1
Australia	5¼	65.56	65.56	70.11	-0.47	3.5
UK Trust ♦	5¼	176.3	176.3	188.5	-0.90	2.6
European Growth ♦	5¼	76.15	76.15	81.44	-0.89	0.1
Hong Kong ♦	5¼	35.32	35.32	37.76	-0.12	1.8
Intl Income	5¼	22.33	22.33	23.88	-0.10	7.3
Spare & Sterling	5¼	38.71	38.86	41.57		0.1
British Winners ♦	5¼	26.30	26.30	28.12	-0.08	1.8
Japan Smllr Cos ♦	5¼	31.27	31.36	33.53	-0.22	0.1
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	6	16.15	16.23	17.26	+0.02	0.00
Pacific Basin	6	31.25	31.25	33.19	-0.68	0.60
Cap Balanced Gwth ♦	6	49.03	49.03	52.15	-0.49	0.64
Ginnie Mae ♦	4	0.9779	0.9809	1.0217	+0.11	7.56
Penny Share	6	28.36	28.36	30.17	-0.05	0.50
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4494						
Wellington Income	5½	141.0	143.4	152.6	-0.9	5.43
Wellington Growth	5¼	231.3	233.9	248.5	-0.2	1.20
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432						
Wessex UK Gwth	4½	111.2	114.8	119.6	-0.3	4.19
Whittingdale Unit Tst Mngmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3732						
Challenger ♦ F	2½	62.65	62.65	64.22	-0.42	0.00
Short Dtd Gilt ♦ F	½	82.51	82.51	83.82	-0.03	8.46
US Govmt Bond ♦ F	1½	.5799	.5799	.5875	+0.002	0.00
Willbro Financial Services Ltd (0905)F						
PO Box 515, 6 Broadgate, London EC2 01-588 7511						
Aust Fnan W'wide	5	207.0	210.8	224.2		2.56
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Convrtbl & Equity	5	56.78	59.92	63.74	+0.08	7.40
European	5	79.82	80.02	85.13	-0.34	0.10
Far Eastern	5	67.39	74.63	79.43	-0.07	0.62

	Bid Price	Offer Price	+ or -	Yield Gross
AEtna Life Insurance Co Ltd—Contd.				
Pension Funds (Accumulation Units)				
Squirrel	15.82	16.66	+0.01	–
Bear	17.25	18.16	-0.02	–
Bull	22.85	24.06	-0.04	–
Bull	20.64	21.73	-0.01	–
Stag	20.09	21.15	-0.05	–
Gilt Edged	15.91		+0.03	–
Deposit	13.60			–
North American	10.91	11.49	-0.01	–
European	11.82	12.45	+0.05	–
Property	12.05	12.69	+0.05	–
Index-Linked	11.95	12.58	+0.07	–
Far Eastern	15.13	15.93	+0.06	–
UK Equity	15.76	16.59	-0.01	–
Fixed Interest	12.16	12.80	+0.03	–
Gilt Edged GPD	10.06	10.59	+0.02	–
1982 Series				
Managed	298.95	314.67	+1.44	–
Pre 1982 Series				
Aetna Life				
3 Way	707.04	707.05	+2.34	–
Equity Pensions	1234.43	1234.64	+4.17	–
Aetna Pensions Ltd				
3-Way Managed	641.43	647.63	-7.82	–
Contract Approved				
Mixed Managed	220.31	224.81	-0.67	–
Gilt Edged	13.91		+0.03	–
Albany Life Assurance Co Ltd				
3 Darkes Lane, Potters Bar EN6 1AJ 0707 42311				
Life Funds				
Brit Blue Chip Fd Accz)	146.2	153.8	-0.2	–
Equity Fd Accz)	1072.8	1128.4	-3.1	–
European Fd Accz)	280.3	295.0	-1.6	–
Intl Fxd Int Fd Accz)	216.8	227.3	+0.1	–
Fixed Int Accz)	349.8	368.2	+0.9	–
Gtd Money Fd Accz)	244.8	257.6	+0.1	–
High Income Fd Accz)	121.0	127.3	-0.1	–
Intl Man Fd Accz)	433.7	456.4	-3.7	–
Japan Fd(z)	321.9	338.5	-0.2	–
UK Smllr Co's Fd Accz)	112.0	117.8	-0.2	–
Eurozlbs Metro	123.4	129.4	+0.3	–
Global Metro	108.0	113.7	-0.7	–
Sunrise Metro	128.2	134.9		–
UK Metro	111.9	117.8	-0.7	–
Nth American Fd Accz)	215.4	226.6	-2.9	–
Pac Basin Fd Accz)	165.0	173.6	-2.8	–

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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Premium Life Assurance Co Ltd

37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	111.0	117.0	−3.0	−
Building Soc. Fd.	178.0	188.0	----	−
Balanced	285.0	300.0	----	−
European	199.0	210.0	−2.0	−
GT Managed	189.0	199.0	----	−
Gartmore Mngd	128.0	135.0	----	−
German	165.0	174.0	----	−
Gilt	173.0	183.0	----	−
Global	49.0	52.0	----	−
High Inc.	105.0	111.0	----	−
International Equity	200.0	211.0	−1.0	−
Japan	292.0	308.0	−2.0	−
Managed	58.0	62.0	----	−
Property	309.0	326.0	----	−
R. W. Imperial Gold	148.8	156.0	----	−
UK Equity	316.0	333.0	----	−
Pension Funds				
American	150.0	158.0	----	−
Building Soc. Fd.	182.0	192.0	----	−
Balanced	224.0	236.0	----	−
European	202.0	213.0	----	−
German	145.0	153.0	----	−
Gilt	153.0	162.0	----	−
International Equity	145.0	151.0	----	−
Japan	148.0	156.0	----	−
Managed	64.0	68.0	----	−
Property	238.0	251.0	----	−
US Equity	306.0	323.0	----	−

Professional Life Assurance Co Ltd

Frobisher Hse, Nelson Gate, Southampton 0703 232323

	Bid Price	Offer Price	+ or −	Yield Gross
Pensions Managed Fund	94.76	100.16	----	−
Pensions Cash Fund	82.70	87.13	----	−

Prolific Life & Pensions Ltd

Stramongate, Kendal, Cumbria LA9 4BE 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Balanced Gwth Mngd.	614.2	647.3	−1.9	−
Adventurous Mngd	135.1	142.4	−0.6	−
Secure Mngd.	110.9	116.9	−0.5	−
Cash Fd.	243.4	256.5	----	−
Property Fund	300.5	316.6	----	−
Equity Fund	696.0	733.5	−0.4	−
Fxd. Int. Fund	295.3	311.2	+1.3	−
International	335.9	357.4	−2.3	−
High Income	452.2	481.1	−0.5	−
Far East	461.5	491.8	−2.2	−
North American	287.7	306.1	−4.7	−
Special Sits.	624.4	664.5	−1.5	−
Technology	254.0	270.3	−4.6	−
Extra Inc Fd.	276.2	293.9	+0.7	−
Convertible & Gilt Fd.	152.1	161.9	+0.1	−
American Income	135.9	144.6	−1.0	−
Gilt Fund 20	302.6	322.0	+1.5	−
European Fund	116.9	124.4	−0.5	−

Prudential Holborn Pensions Ltd—Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Index Linked Gilt	208.4	219.4	+1.3	−
Guaranteed	13.81		−0.19	−
International Money	212.5	223.7	+0.6	−
North American	78.8	83.0	−1.2	−
Japanese	166.4	175.2	−1.0	−
European	114.5	120.6	−0.8	−
Special Situations	112.9	118.9	−0.1	−
Communications	100.7	106.1	+0.7	−
Smaller Companies	105.5	111.1	+0.5	−
International Small Cos	141.7	149.2	−1.6	−

Prudential Pensions Limited

Holborn Bars, London EC1N 2NH 01-548 3201

	Bid Price	Offer Price	+ or −	Yield Gross
Discretionary Dec 13	£166.89	172.07	----	−
Equity Dec 13	£177.44	183.75	----	−
International Dec 13	£30.32	30.99	----	−
Intl Bond Dec 13	£12.89	13.06	----	−
Fixed Int Dec 13	£74.65	75.48	----	−
Index Linked Dec 15	£64.69	65.62	----	−
Property Dec 15	£116.66	123.54	----	−
Cash Dec 13	£22.3578	22.3578	----	−
Pru-Linked Retirement Plan				
Managed Dec 12	400.7	417.4	----	−
Cash Dec 12	209.5	218.3	----	−
Prudential Pensions Investment Account				
Pens Mngd Dec 19	160.5	172.7	+0.4	−
Pens UK Eq Dec 19	295.5	310.9	+1.1	−
Pens Intl Dec 19	207.0	223.0	−0.4	−
Pens Fixed Dec 19	171.7	181.4	+0.4	−
Pens Index Lk Dec 19	167.1	176.6	----	−
Pens Cash Dec 19	136.7	144.0	----	−

Regency Life Assurance Co Ltd

Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or −	Yield Gross
Aggressive Ptflio Fd.	121.7	128.1	+0.1	−
Balanced Ptflio Fd.	318.7	335.4	+0.6	−
Cautious Ptflio Fd.	124.8	131.5	+0.1	−
Elite Fund	109.8	115.5	+0.8	−
European Fund	98.1	103.2	−0.2	−
Far East Fund	117.1	127.2	+0.6	−
Fixed Interest Fund	249.0	262.1	+0.1	−
International Fund	293.4	308.8	−1.2	−
Money Fund	183.6	193.2	----	−
N. American Fd.	125.8	132.4	−1.7	−
Property Fund	394.5	415.0	−0.5	−
UK Equity Fd.	383.2	403.3	+1.8	−
A.I.M. Brwin Dlpbs Fd.	101.8	107.2	----	−
Swim Select Invs.	120.1	126.4	----	−
Chart Safety First Bd.	183.4	113.1	----	−
Exec Master Fd.	104.0	109.5	----	−
Hardwick Growth Fd.	113.2	119.2	----	−
Bentley Haig LR Port.	105.7	111.3	----	−
Millbourne Spec Port.	122.1	128.5	----	−
Swim Global Fd.	126.6	133.3	----	−
Hardwick Tst Fd.	75.7	79.7	----	−

All funds have equivalent pension fund. Series 2 prices above. Others available from Regency Life.

Rothschild Asset Management—Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
OCCFL Lire			[illegible]	25.378xd	+0	17.16
OCCFL NZS			[illegible]	21.390xd	[illegible]	11.47
OCCFL S6			[illegible]	30.173xd	[illegible]	4.30
OCCFL Pts			[illegible]	2098.11xd	+0.8	14.4
OCCFL SKr			[illegible]	101.478	−0.01	10.65
OCCFL SwFr			[illegible]	30.252xd	[illegible]	7.34
OCCFL D S 6			[illegible]	15.104xd	[illegible]	7.44
OCCFL Yen			[illegible]	3525.49xd	[illegible]	[illegible]
OCCFL Man £	3		[illegible]	10.425xd	10.740	[illegible]

Daily Dealings

Royal Bank of Canada Funds

RBC Offshore Fund Managers Ltd

Tyndall & Sims—Contd.

Nomura Global Fund

Royal Trust Asset Fund

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

MANAGEMENT SERVICES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
134[illegible]	124	Treas 2pc IL '90 (84 6)	134[illegible]	+[illegible]	[illegible]	9.98
99[illegible]	98[illegible]	Exch 11pc 1990	99[illegible]	+[illegible]	12[illegible]	14.86
101[illegible]	99[illegible]	Exch. 12½pc 1990	99[illegible]	.....	12[illegible]	14.50
96[illegible]	91[illegible]	Treas. 3pc 1990	96[illegible]	.....	3.1[illegible]	11.91
97[illegible]	95[illegible]	Treas 8¼pc 1987-90	97[illegible]	+[illegible]	8.[illegible]	13.76
98[illegible]	95[illegible]	Treas 8pc Cv 1990	97[illegible]	+[illegible]	8.[illegible]	13.70
98[illegible]	96[illegible]	Treas 10pc Cv 1990	97	+[illegible]	10.[illegible]	13.79
93[illegible]	87[illegible]	Exch 2½pc 1990	93[illegible]	+[illegible]	2.[illegible]	11.68
101[illegible]	98[illegible]	Treas 11¾pc 1991	98[illegible]	.....	[illegible]	10.50
93[illegible]	89[illegible]	Funding 5¾pc '87-91	92[illegible]	+[illegible]	6.[illegible]	11.9[illegible]
90[illegible]	86[illegible]	Treas 3pc 1991	90[illegible]	+[illegible]	3.3[illegible]	10.35
100[illegible]	95½	Treas 10pc Cv '91	95[illegible]	+[illegible]	10.[illegible]	13.03
101[illegible]	96[illegible]	Exch 11pc 1991	97[illegible]	+[illegible]	11.[illegible]	12.74
94[illegible]	91[illegible]	Treas. 8pc 1991	92[illegible]	+[illegible]	8.6[illegible]	12.63
106[illegible]	100[illegible]	Treas 12¾pc 1992	100[illegible]	+[illegible]	12.63	12.25
99½	95[illegible]	Treas 10pc 1992	95[illegible]	+[illegible]	10.43	12.20
94[illegible]	90[illegible]	Treas. 8pc 1992	91[illegible]	+[illegible]	8.71	12.14
100[illegible]	96[illegible]	Treas 10½pc Cv 1992	97[illegible]	+[illegible]	10.81	11.92
85[illegible]	82[illegible]	Treas. 3pc 1992	84[illegible]	+[illegible]	3.54	10.11
105[illegible]	99[illegible]	Exch 12¼pc '92	100[illegible]	+[illegible]	12.18	11.96
109[illegible]	103[illegible]	Exch 13½pc 1992	103[illegible]	+[illegible]	13.00	11.73
94[illegible]	90[illegible]	Treas 8½pc 1993	91[illegible]	+[illegible]	9.04	11.59
100[illegible]	95[illegible]	Treas 10pc 1993	96[illegible]	+[illegible]	10.40	11.39
108[illegible]	101[illegible]	Treas 12½pc 1993	102[illegible]	+[illegible]	12.15	11.52
88[illegible]	84[illegible]	Funding 6pc 1993	85[illegible]	+[illegible]	7.00	10.74
113[illegible]	106[illegible]	Treas 13¾pc 1993	107[illegible]	+[illegible]	12.83	11.42
94[illegible]	89[illegible]	Treas. 8½pc 1994	90[illegible]	+[illegible]	9.[illegible]	11.42
117[illegible]	109[illegible]	Treas 14½pc 1994	110[illegible]	+[illegible]	13.[illegible]	11.20

BRITISH FUNDS—Contd

LOANS

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

LONDON SHARE SERVICE

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
15⅝	847p	Hasbro Inc 50c	12¼	–⅛	16c	–	0.9
57½	32¼	Honeywell $1½	50¼	–1⅛	$2.75	–	3.5
22⅝	15¼	Houston Inds.	22	–⅛	$2.96	–	8.5
76⅞	58¼	IBM Corpn $1¼	58¼xd	–1⅛	$4.84	–	5.3
60p	45p	♥Image Storage/R.Sys.1c.	50p	–2	–	–	–
32¼	18¾	Ingersoll-Rand $2	28¼xd	–⅛	$1.20	–	2.6
33¾	22½	Lockheed Crpn. $1	24⅛xd	–⅛	$1.80	–	4.7
22⅝	10⅝	Lone Star Inds $1	10⅛xd	–⅛	$1.90	–	11.6
27⅞	17½	Louisiana Land 15c	26¼	.....	$1.00	–	2.4
20½	11⅞	Lowe's 50c	10⅝	–⅛	48c	–	1.7
28⅞	15⅞	Manuf. Hanover $1	19⅞	–1¼	$3.28	–	20.7
22⅝	13⅞	Merrill Lynch $1	15⅞	.....	$1.00	–	4.0
24⅝	19⅛	Molex Inc.	22¼	.....	3.2c	–	–
30⅛	18⅛	Morgan (JP) $2½	22⅛xd	–⅞	$1.66	–	4.1
28⅞	24⅛	Morris (Philip)	22⅛xd	–⅛	$1.13	–	2.8
55⅝	36⅛	NYNEX $1	54⅝	–⅛	$4.36	–	5.1
44p	16p	N'wide Legal Serv.	19p	.....	–	–	–
24⅞	18¾	PHH Corp.	22¼	–⅛	$1.16	–	3.3
259p	167p	♥Pacific Agr.	186p	.....	–	–	–
28⅝	19	Pacificorp $3¼	28xd	–⅛	$2.76	–	6.0
31½	16⅞	Pacific Telesis 10c	30¼	–1	$1.88	–	3.9
22⅞	15¼	Pall Corp. 25c	20¼	–⅛	48c	–	1.5
55⅝	39⅞	Pennzoil 83 1/3c	53⅞xd	–⅛	$3.00	–	3.5
42¼	28⅝	Quaker Oats $5	34⅛xd	–⅛	$1.40	–	2.5
32⅞	23½	Rep NY Corpn $5	30⅛xd	–⅛	$1.28	–	2.7
16¼	11⅞	Rockwell Intl. $1	14⅛xd	+¼	78c	–	3.4
29½	22	Sears, Roebuck 75c	23⅛xd	–⅛	$2.00	–	5.4
37⅞	21⅝	Southwestern Bell $1	37⅛	–⅛	$2.60	–	4.4
27⅞	17⅞	Sun Co. Inc. $1	25⅞xd	–⅛	$1.80	–	4.5
31¼	22⅞	TRW Inc. 62½c	30⅝	–⅛	$1.72	–	3.6
24⅞	14⅛	TW Services $5	21⅛	.....	–	–	–
40⅞	26¾	Tenneco $5	37⅛	–⅛	$3.04	–	5.2
35½	28	Texaco $6.25	34⅞xd	.....	$3.00	–	5.4
28⅞	18⅞	Texas Instr. $1	21½xd	–⅛	72c	–	2.1
117⅞	58⅝	Time Inc. $1	81¼	+⅛	$1.00	–	0.8
19⅞	15⅞	TRINOVA Corp.	15	.....	s68c	–	2.9
26¼	16	USX $1	22⅛xd	–⅛	$1.40	–	4.2
325p	126p	♥Unilab	325p	.....	–	–	–
36⅝	22¼	Utd. Technologies	32⅛xd	–½	$1.60	–	3.1
168p	121p	♥Utilitech Inc.	149p	.....	–	–	–
48¼	31½	US West	47¼	–⅛	$3.76	–	5.0
22¼	11⅞	Waste Management $1	21⅞xd	.....	30c	–	0.9
20⅝	15½	Whirlpool $1	18⅛	–⅞	$1.10	–	3.7
24⅛	16⅞	Whitman Corp.	17⅝	–⅛	$1.02	–	3.7
46⅝	28⅛	♥Woolworth $3½	38¼	–1	$1.88	–	3.1

CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
186p	129p	♥A&M Gold Corp	161p	.....	–	–	–
26p	4½p	♥Abbot Energy Corp	22¼p	.....	–	–	–
10⅝	401p	♥Amer. Barrick Res.	10½xd	.....	–	–	–
39¼p	10½p	♥Armeno	21p	–½	–	–	–
33¼p	8½p	♥Augmitto Expln.	9p	–1	–	–	–
18½	12⅞	Bk. Montreal	17⅞	–⅛	$2.12	–	6.4
10¾	655p	Bk. Nova Scot.	886pd	–14	92c	–	5.6
831p	599p	♥BC Gas $1	812p	.....	60c	–	4.0
24¾	17	BCE	23⅝	–⅛	$2.44	–	5.6
17	12⅛	♥Brascan	14⅝	–⅛	88c	–	3.3
228p	108p	♥Breakwater Res.	148p	–10	10c	–	3.7
18¼	11⅞	Can. Imp Bank	17½	–⅛	$1.24	–	3.0
15¼	997p	Can. Pacific	13½	–⅛	92c	–	3.7
41½	37	Do. 4pc Deb £100	37xd	.....	4%	–	10.8
588p	374p	Central Capital "A"	517p	–6	–	–	–
590p	340p	♥Corona Corp.	570p	–7	–	–	–
461p	228p	♥Cons TVX Min.	423p	–6	–	–	–
775p	492p	♥Derlan Inds.	537p	+7	11.75c	–	1.2
12½	751p	♥Echo Bay Mines	12⅛	.....	$0.07	–	0.3
572p	336p	♥ECO Corp	376p	–13	–	–	–
417p	243p	Gandalf Techs. Inc.	308p	+1	–	–	–
186p	122p	Granges Inc.	150p	.....	–	–	–
903p	651p	♥Gulf Canada	866p	+7	52c	–	3.3
17⅛	10¼	♥Hawker Sid Can	13⅝	+⅛	$1.08	–	4.3
20⅜	11⅞	♥Hudson's Bay	16⅝	.....	60c	–	2.0
34⅝	23	♥Imperial Oil	33⅛	–⅛	$1.80	–	2.9
23⅞	14⅛	Inco	17⅛	+⅛	s$0.80	–	3.0
290p	102p	♥Madeleine Mines	201p	.....	–	–	–
193p	98p	♥Muscocho Expln.	121p	–2	–	–	–
126p	48p	♥Nevada Goldfields	48p	.....	–	–	–
593p	456p	Nova Corp of Alberta	466pxd	.....	42c	–	4.9
14½	10⅝	♥Rio Algom	12⅛	–⅛	85c	–	3.8
27⅝	17⅛	Royal Bk. Can.	27¼xd	–⅛	$2.20	–	4.4
47⅛	33⅛	Seagram	34⅛	–1	US$1.40	–	1.6
700p	348p	♥Sechora Inc.	624p	.....	–	–	–
112p	73p	♥Sonora Gold Corp	97p	–2	–	–	–
109p	33p	♥Tam Pare Tech. Corp.	37½p	.....	–	–	–
12⅛	806p	Toronto-Dom. Bk	10⅞	–⅛	76c	–	3.8
944p	686p	♥Trans Can Pipe	892p	–7	68c	–	4.1
184p	127p	Varity Corp	145p	–5	8	–	–

BANKS, HP & LEASING

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*290	216	ANZ $A1	287	+1	44c	♦	7.6	♦
175	134	Abbey National 10p	171	–1	17.7	2.7	6.0	7.0
*234	120½	Allied Irish Ord.	228	–3	068%	3.3	3.5	11.7
£13½	£11⅛	Algemene Fl.10	£12⅞	.....	Q28%	2.0	7.1	7.0
*80	61	Anglo Irish	75	.....	Q11.8%	♦	3.7	♦
79	57	Ansbacher (H.) 1p	75	.....	2.0	–	3.6	–
£72¼	£38⅛	Bancaire Cie Fr100	£66⅞	.....	Q12½%	–	2.0	–
£46⅜	£35⅞	Banco Bilbao Viz.	£44¼	+⅛	Q35.7%	2.0	3.1	16.3
£33	£28	Banco de Santander	£30⅞	+⅛	Q21%	2.4	2.6	16.0
*277	169	Bank Ireland Ir£1	269	–4	Q23%	3.2	4.3	9.2
£29½	£17½	Bank Leumi	£19½	.....	–	–	–	–
350	345	Bank Leumi (U.K.)	345	.....	13.5	–	5.2	[illegible]

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

هكذا من الأصل

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SHOES AND LEATHER

SOUTH AFRICANS

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Investment Trusts

TRUSTS, FINANCE, LAND — Contd

Finance, Land, etc

WATER

For Water Issues see London Recent Equities

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES — Contd

Miscellaneous

THIRD MARKET

1989 High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
160	95	Beacon Hldgs	γ	127	+3	12.5	6.1	2.6	7.9
51	40	Sempernova	γ	42					9.2
39	20	Sleepy Kids 5p	γ	24	+1				
*17½	5½	Stars Hldgs. 5p	γ	6					13.0
*5¼	1¾	Swanyard Studios 1p	γ	1½					
11	2½	System Creation 25p	γ	2½					3.3
50	27	Tavern Leis 20p	γ	35	-1				
115	28	Tomorrows Leisure 20p	γ	86					12.7
113	55	UPI Group 10p	γ	55		2.75	1.9	6.7	10.4
150	129	Unit Group	γ	129xd		5.0	3.3	5.2	7.1
100	66	Video Magic Leb. 1p	γ	81	-1	W2.0	0.7	3.3	64.9
14	4¼	Vista Ents 5p	γ	4¼					
40	20	Vistaya Hldgs 5p	γ	20					
46½	23	Whitecliff Leisure 20p	γ	39½	+1				
32½	10	Do. Wrrnts.	γ	25					
10¾	4½	Wilton Group 1p	γ	4¼	-¼				

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ✱ Not comparable
- ◆ Same interim, reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ✱ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock		Price	+ or -
Albany Inv 20p	γ	88	...
Craig & Rose £1	γ	830	...
Finlay Pkg 5p	γ	60	-1
Holt (Jos) 25p	γ	1340	...

IRISH

Stock	Price	+ or -
Cap. 0½% Ln. 1991	£96⅞	...
9pc Cap Ln 1996	£96½	+½
Fin. 13% 97/02	£118	+½
Arnotts	400	...
Carrol (P J)	155	...
Hall (R & H)	195	...
Helton Hldgs	94	-1
IRG	215e	...
United Drug	148	...

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5½
BAT	67
BOC Grp.	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	31
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	31
Polly Peck	33
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	25
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines

Lonrho	25
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Speculation surrounds the yen

THE YEN was firmer yesterday after speculation in Japanese newspapers that the Bank of Japan planned to raise the discount rate by half a percentage point this week. The reports were later denied by Japan's monetary authorities, though the yen remained firm as daalars reckonad that money market rates will be increased in an attempt to bolster the Japanese unit. The yen's strengtb came as the D-Mark continued to stall and the US dollar turned mixed.

The impact of the newspaper reports was to focus the market's attention back onto the yen, which had suffered from the D-Mark's strength, despite attempts by the Bank of Japan to tempt investors with higher short money rates. "The markat is reckoning that if the D-Mark has been overbought then what has been oversold? The yen stands out, for no reason other than that Japanese interest rates have not yet peaked," said Mr Steve Hannah, head of research at NatWest Capital Markets.

Indaed, the prospect of higher short-term rates will underpin the yen into 1990. Mr Dirk Morris, senior international economist at Shearson Lehman Hutton, said a gradual half point rise in overnight market rates is likely before the elections to the Lower House of the Diet, expected in February, with another half point increase afterwards. He said the expectation of higher rates would put a floor under the yen until then and could push it higher once they are out of the way. The D-Mark closed at Y82.74 from Y83.45 on Monday.

The D-Mark continued to lack direction as the market wondered whether West German interest ratas heve peaked. "It now looks as though the enphoria of the D-Mark's recent advance was overdone. The market was assuming a rise in West German rates, though that may not happen," said Mr Hannah.

The dollar showed little reaction to the latest US data that pointed to a slower pace of economic growth, as trading remained quiet. Traders said they were also waiting for news from the Federal Reserve's Open Market Committee, which met Monday and yesterday. The dollar closed at DM1.7375 from DM1.7265, at Y143.85 from Y144.10, at SFr1.5610 from SFr1.5480, and at FFr5.9350 from FFr5.9875. The dollar's index, as calcnlated by the Bank of England, was unchanged at 67.9.

Sterling was thinly traded and was confined to a narrow range. It closed at DM2.7800 from DM2.7675, at $1.6005 from $1.6030, at Y230.25 from Y231.00, at SFr2.4975 from SFr2.4825, and at FFr9.5000 from FFr9.4525. Sterling's index closed 0.1 higher at 86.6.

The FT Guide to World Currencies will next be published on Wednesday, December 27, reflecting exchange rates from Friday December 22, the last trading day before Christmas. The following week's edition, which will appear on Tuesday, January 2, will reflect rates from Friday December 29.

£ IN NEW YORK

Dec.19	Latest	Previous Close
£ Spot	1.6005-1.6015	1.6055-1.6065
1 month	0.84-0.83pm	0.90-0.89pm
3 months	2.39-2.36pm	2.48-2.46pm
12 months	8.38-8.28pm	8.92-8.82pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.19	Previous
8.30 am	86.5	86.5
9.00 am	86.7	86.5
10.00 am	86.8	86.5
11.00 am	86.8	86.4
Noon	86.7	86.4
1.00 pm	86.7	86.4
2.00 pm	86.7	86.3
3.00 pm	86.6	86.4
4.00 pm	86.6	86.5

CURRENCY RATES

Dec.19	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling ‡	-	1.22709	1.36783
U.S Dollar	7	1.30537	1.17266
Canadian $	12.46	1.51514	1.36028
Austrian Sch.	6½	15.8420	14.2982
Belgian Franc	10¼	47.3588	42.6994
Danish Krone	10½	8.74598	7.90254
Deutsche Mark	6.00	2.24941	2.03186
Neth.Guilder	7.00	2.54090	2.29372
French Franc	10¼	7.69124	6.93861
Italian Lira	13½	1681.45	1513.31
Japanese Yen	3¾	188.234	168.687
Norway Krone	8	8.69181	7.83921
Spanish Peseta	-	145.524	130.904
Swedish Krona	9½	8.16444	7.35842
Swiss Franc	6.00	2.02006	1.82231
Greek Drach.	20½	207.633	207.633
Irish Punt	-	0.856030	0.856030

‡ Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Dec.18

CURRENCY MOVEMENTS

Dec.19	Bank of England Index	Morgan** Guaranty Changes %
Sterling	86.6	-24.5
U.S Dollar	67.9	-10.5
Canadian Dollar	105.2	+2.1
Austrian Schilling	109.7	+12.1
Belgian Franc	109.2	-3.7
Danish Krone	108.2	+12.1
Deutsche Mark	118.4	+25.2
Swiss Franc	107.4	+15.9
Guilder	114.2	+16.6
French Franc	102.7	-13.0
Lira	99.9	-19.2
Yen	132.0	+61.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are forDec.18 .

OTHER CURRENCIES

Dec.19	£	$
Argentina	1593.35-1609.90	995.00-1005.00
Australia	2.0410-2.0435	1.2745-1.2755
Brazil	15.2785-15.3610	9.5410-9.5890
Finland	6.5720-6.5845	4.1050-4.1070
Greece	254.55-259.05	158.60-161.20
Hong Kong	12.4965-12.5095	7.8055-7.8075
Iran	112.10*	71.20*
Korea(Sth)	1074.85-1092.20	672.40-677.80
Kuwait	0.47190-0.47380	0.29420-0.29520
Luxembourg	58.20-58.30	36.35-36.45
Malaysia	4.3155-4.3265	2.6960-2.6990
Mexico	4270.65-4288.05	2668.00-2678.00
N. Zealand	2.6905-2.6965	1.6805-1.6835
Saudi Ar.	6.0150-6.0205	3.7500-3.7510
Singapore	3.0480-3.0570	1.9050-1.9080
S. Af (Cm)	4.0990-4.1100	2.5620-2.5650
S. Af (Fn)	6.0430-6.1595	3.7735-3.8460
Taiwan	41.95-42.05	26.20-26.25
U.A.E.	5.8900-5.8950	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Dec 19	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15⅛-15⅛	15⅛-15⅛	15⅛-15⅛	15¼-15⅛	15-14⅞	14⅞-14⅞
US Dollar	8½-8⅜	8½-8⅜	8⅞-8⅞	8⅜-8⅞	8¼-8¼	8¼-8⅛
Can. Dollar	12¼-12	12¼-12	12¼-11⅞	12¼-11⅞	11⅞-11⅞	11⅞-11⅞
D. Guilder	8⅛-8⅛	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞
Sw. Franc	8¼-7⅞	8⅞-8⅛	8⅞-8⅞	8⅞-8⅞	8⅛-8⅛	8⅛-8⅛
Deutschmark	7⅞-7⅞	7⅞-7⅞	8⅞-8⅞	8⅞-8⅞	8⅛-8⅛	8⅛-8⅛
Fr. Franc	10⅞-10⅞	10⅞-10⅞	10⅞-10⅞	11-10⅞	11-10⅞	10⅞-10⅞
Italian Lira	13-11	13-12	13¼-12⅞	13¼-12¼	13¼-12¼	13¼-12¼
B. Fr. (Fin)	9⅞-9⅞	9⅞-9⅞	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛
B. Fr. (Con)	9⅞-9⅛	10⅛-9⅞	10⅛-10	10⅛-10	10⅛-10	10⅛-10
Yen	6⅞-6⅞	6⅞-6⅞	6⅞-6⅞	6⅞-6⅞	6⅞-6⅞	6⅞-6⅞
D.Krone	12¼-12	12¼-12⅛	12¼-12⅛	12⅞-12⅞	11⅞-11⅞	11⅞-11⅞
Asian $Sing	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅛-8⅛	8⅛-8⅛

Long term Eurodollars: two years 8⅞-8⅛ per cent; three years 8⅞-8⅞ per cent; four years 8⅞-8⅞ per cent; five years 8⅞-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Dec.19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5995-1.6075	1.6000-1.6010	0.88-0.86cpm	6.52	2.49-2.46pm	6.19
Canada	1.8560-1.8670	1.8560-1.8570	0.46-0.40cpm	2.78	0.90-0.80pm	1.83
Netherlands	3.12½-3.14½	3.12½-3.13½	1⅞-1¾cpm	6.71	4⅞-4⅝pm	6.07
Belgium	58.20-58.60	58.20-58.30	29-23cpm	5.36	76-64pm	4.81
Denmark	10.77-10.82½	10.77-10.78	[illegible]	2.99	[illegible]	2.69
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc [illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec	2344.0	2363.0	2338.0	2367.0
Mar	2392.0	2410.0	2388.0	2418.0
Jun	2431.0			2459.0

Estimated volume 11081 (6662)
Previous day's open int. 32013 (32435)

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 23,945
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Quiet trading

UK money market rates were little changed yesterday in quiet pre-holiday trading as sterling held firm. Dealers said the money markets had sufficient liquidity to maintain current rate levels over the Christmas period. The approach of the November trade figures at the end of the month are likely to keep current rates underpinned, they added.

The key three-months interbank rate was unchanged from Monday at 15⅛-15$\frac{1}{16}$ per cent, while in the futures market the March short sterling contract finished just 4 basis points higher at 85.57, having traded only 6,475 contracts.

UK clearing bank base lending rate 15 per cent from October 5

Initially, the Bank of England forecast a shortage of £550m, though this was revised to £650m and finally to £600m. Before midday, it bought £336m of bills. This included £30m in band 1 at 14⅞ per cent. In band 2 at 14¾ per cent it bought £1m of Treasury bills, £1m local authority bills, and £304m bank bills.

Dnring the afternoon, it bought £190m of bills, including £33m Treasury and £62m bank bills in band 1 at 14⅞ per cent. In band 2 at 14¾ per cent it purchased £49m of Treasury bills and £46m of bank bills. Finally, the Bank provided late assistance of around £110m.

In Frankfurt call money rates were unchanged at 7.50-7.60 per cent in quiet trading before tha Christmas holiday period. Dealers said the markets had sufficient funds to avoid any change in rates, adding that the D-Mark's slight setback against the yen yesterday had no impact on short rates.

The Bundesbank yesterday set a new tender for a 35-day securities repnrchasa agreement, offering liquidity at a fixed rate of 7.30 per cent. This will offset an earlier facility axpiring today of DM9.70bn and also set at 7.30 per cent.

Dealers said they expected the Bundesbank's allocation this morning to offset the expiring facility, thereby not adding additional liquidity to the system.

In New York tha Federal Reserve, as expected, did not operate in the money markets. The markets were quiet in the run-up to Christmas. Federal Funds were unchanged at 8½ per cent.

The market's were also thinly traded as dealers waited for news from the Fed's Open Market Committee, which met Monday and yesterday. Dealers said they expected the Fed to leave rates unchanged.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.19)	3 months US dollars		6 months US Dollars	
	bid 8¼	offer 8⅜	bid 8¼	offer 8⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	15	Comm.Bk.N.East	15	Northern Bank Ltd	15
Adam & Company	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Trust Bank	15	Coutts & Co	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Cyprus Popular Bk	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Dunbar Bank PLC	15	Provincial Bank PLC	16
Associates Cap Corp	14	Duncan Lawrie	15	Roxburghe G'rantee	15½
Authority Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Bank of Baroda	15	Financial & Gen. Bank	15	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16	Standard Chartered	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	TSB	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	United Bk of Kuwait	15
Bank of Cyprus	15	Girobank	15	United Mizrahi Bank	15
Bank of Ireland	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of India	15	HFC Bank plc	15	Western Trust	15
Bank of Scotland	15	● Hambros Bank	15	Westpac Bank Corp.	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Yorkshire Bank	15
Benchmark Bank PLC	15	● Hill Samuel	§15		
Brit Bk of Mid East	15	C. Hoare & Co.	15		
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
		Mount Banking	15		
		Nat Bk. of Kuwait	15		
		NatWestminster	15		

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COMPANY NOTICES

UOB SUPER ECU FUND MANAGEMENT COMPANY S.A.
17, rue des Bains
L - 1212 LUXEMBOURG

Notice to UOB SUPER ECU FUND unitholders

The Board of Directors of the UOB SUPER FUND MANAGEMENT COMPANY S.A. informs the UOB SUPER ECU FUND unitholders that the new Management Regulations approved by the Board of Directors as amended in accordance with the law of March 30th, 1988 on collective investment undertakings take effect as from September 13th, 1989. The Management Regulations were filed at the "Tribunal d'Arrondissement de et à Luxembourg" on September 18th, 1989.

The Management Regulations are at the disposal of the unitholders at the registered office of the Management Company, from which a copy may be obtained.

The Board of Directors informs furthermore the unitholders that the amount of the Fund's assets drawn up in ECU is increased from 30 to 75%.

The Board of Directors

HONDA MOTOR CO., LTD
European Depositary Receipts issued by Morgan Guaranty Trust Company of New York

A distribution of $0.4855 per depositary share less any applicable taxes will be payable on and after December 28, 1989 upon presentation of coupon no 29 at the following offices of Morgan Guaranty Trust Company of New York in:
- Brussels, 35, Avenue des Arts
- New York, 30, West Broadway
- London, 1 Angel Court

Net rate:
$ 0.4126 (after deduction of 15% Japanese withholding tax + affidavit)
$ 0.3884 (after deduction of 20% Japanese withholding tax).

NEWS INTERNATIONAL PLC
USDOL 150,000,000 8⅜% Bond Due 1991
Convertible into USDOL 150,000,000
Guaranteed Floating Rate Notes Due 1991

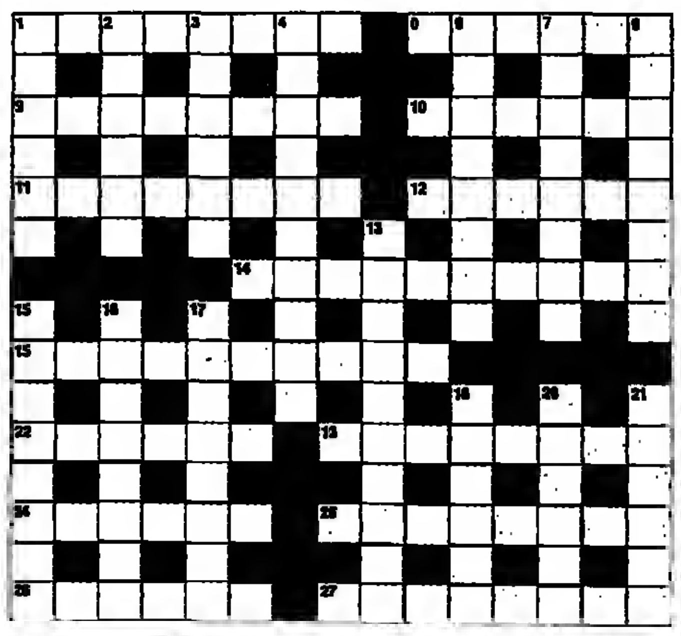
In accordance with the provisions of the note, notice is hereby given that for the interest period December 20, 1989 to March 20, 1990 the notes will carry an interest rate of 8⅞% per annum. Interest payable on the relevant interest payment date 20th March 1990 will amount to USDOL 221.88 per USDOL 10,000 note.

Agent Bank: Banque Paribas Luxembourg

JOTTER PAD

CROSSWORD

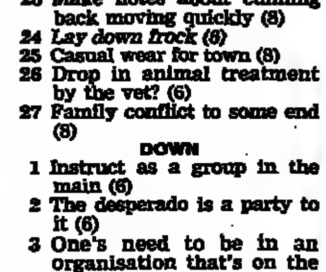
No.7,120 Set by VIXEN



ACROSS
1 Take off from lower ground? (8)
5 Abandon an over-dry area (6)
9 Beautiful homes – and otherwise! (8)
10 Wear for formal occasions, which includes work (3,3)
11 Japanese maybe getting into real chaos (8)
12 "No beast so —— but knows some touch of pity" (Shakespeare) (6)
14 A person coping with a trying job (10)
18 Rub out a thin line, a mistake having been made (10)
22 A ruthless man in the City ran things his way (6)
23 Make notes about cunning back moving quickly (8)
24 Lay down frock (6)
25 Casual wear for town (8)
26 Drop in animal treatment by the vet? (6)
27 Family conflict to some end (8)

DOWN
1 Instruct as a group in the main (6)
2 The desperado is a party to it (6)
3 One's need to be in an organisation that's on the up and up (6)
4 Like a little company and many a story (10)
6 Self-centred people get so — it's quite dreadful (8)
7 Heavenly present for use inside and elsewhere (8)
8 Note the revolutionary may well appear restrained (8)
13 Where one first saw the light! (10)
15 Nourishment for those on a strict diet? (4,4)
16 Enters without asking permission, so is turned out (8)
17 Fine monarch's judgment (8)
19 Took food outside to finish when repelled (6)
20 Though mean, gain very little (6)
21 Things to be seen to requiring time and trouble (6)

Solution to Puzzle No.7,119



هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · JAPAN · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · AUSTRALIA · HONG KONG · SINGAPORE

[illegible]

CANADA

TORONTO
Closing prices December 18

[illegible]

MONTREAL
Closing prices December 18

[illegible]

INDICES

NEW YORK

DOW JONES	Dec 18	Dec 15	Dec 14	Dec 13	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2697.53	2739.56	2753.63	2761.09	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.47	93.37	93.45	93.45	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1140.83	1170.70	1185.63	1203.41	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	233.65	235.98	234.66	233.46	235.98 (15/12)	182.84 (24/2)	235.98 (15/12/89)	10.50 (8/4/32)

♦Day's High 2755.55 (2763.65) Low 2679.82 (2703.92)

STANDARD AND POOR'S

	Dec 18	Dec 15	Dec 14	Dec 13	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	343.69	350.14	350.93	352.75	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	393.60	399.80	400.56	403.07	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	29.53	30.90	31.37	31.57	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	190.27	193.45	193.97	195.01	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	370.86	375.50	376.82	378.05	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	436.03	443.84	447.48	451.14	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Dec 15	Dec 8	Dec 1	year ago (approx.)
Dow Industrial Div. Yield	3.89	3.90	3.87	3.73

	Dec 13	Dec 6	Nov 29	year ago (approx.)
S & P Industrial div. yield	2.90	2.92	2.96	3.15
S & P Indl. P/E ratio	14.92	14.82	14.59	12.86

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Bank of N. Eng.	3,489,600	7½	− 1½
Fannie Mae	3,384,800	31⅛	− 2⅜
Am T & T	2,349,400	46	− ⅜
Harcourt Brace	2,147,500	4⅞	− ½
IBM	1,911,900	93⅛	− 1⅛
BankAmerica	1,868,000	23⅞	− 2⅛
Marriott	1,661,800	33⅛	− 1
Dow & Bradst.	1,570,200	42⅞	− ⅛
Philip Morris	1,516,300	41½	− ⅛
Chase Manhattan	1,451,700	31⅞	− 1⅛

TRADING ACTIVITY

† Volume (Millions)	Dec 18	Dec 15	Dec 14
New York	184.750	240.390	178.700
Amex	13.822	14.044	14.497
NASDAQ	146.692	144.387	144.263
Issues Traded	1,988	1,994	2,003
Rises	350	618	519
Falls	1,279	896	1,002
Unchanged	359	480	482
New Highs	52	71	75
New Lows	122	89	87

CANADA

TORONTO	Dec 18	Dec 15	Dec 14	Dec 13	1989 HIGH	1989 LOW
Metals & Minerals	3334.35	3346.51	3347.43	3332.81	3919.2 (1/9)	3307.5 (3/1)
Composite	3958.54	3986.20	3995.33	4005.76	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2022.05	2037.59	2042.66	2046.37	2069.68 (10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

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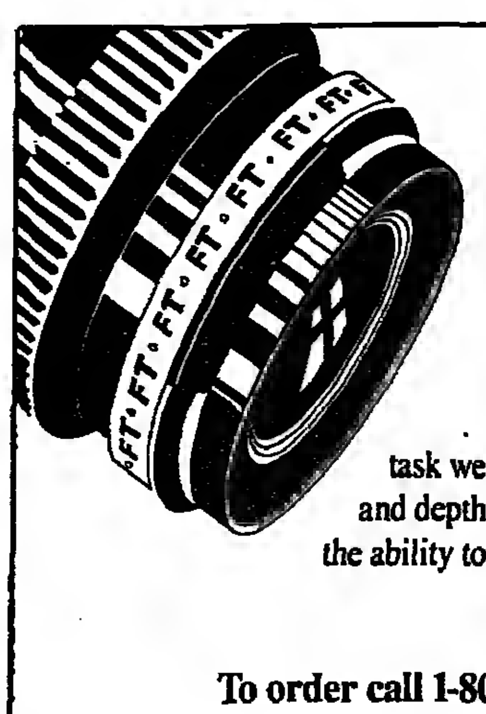
**Saturday Dec. 16: Taiwan Weighted Price: 8548.96 Korea Comp Ex. 921.87.
♦ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday December 19 1989

	Stocks Traded	Closing Prices	Change on day
Nippon Mining	54.2m	1,190	+130
Dowa Mining	32.5m	1,540	+200
Cosmo Oil	32.1m	1,450	+90
Mitsubishi Oil	26.3m	1,830	+10
Mitsui Mining	23.5m	1,050	+88
Nippon Oil	22.7m	1,940	+40
Sumitomo Mtl	22.3m	881	−24
Nippon Paint	16.7m	1,340	−30
Mitsubishi Mtl	16.6m	1,270	+50
Nippon Steel	14.3m	808	−17



2pm prices December 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A—A—A —								
37½	24	AAR	.40	1.4	21	107	34½	34¼	34½	+ ⅛
9⅝	8⅞	ACM s	1.01	11.		180	9⅛	9⅛	9⅛	− ⅛
11⅝	10¼	ACMIn	1.28	12.		752	11	10⅞	10⅞	
10	8	ACM M	n1.01	11.		179	9	8⅞	8⅞	
11½	10	ACM Sc	1.26	11.		787	11⅛	11	11⅛	
9¼	8⅞	ACMSp	1.01	11.		1034	9⅛	9	9⅛	
19	11½	AL Lab	.16	.9	10	29	17⅝	17⅝	17⅝	+ ⅛
6⅞	4½	AM Intl			9	723	4⅝	4½	4⅝	− ⅛
23½	10½	AM In pf	2	11.		27	18⅜	d18⅜	18⅜	− ⅜
107¾	61½	AMR			7	9988	59¼	57	59¼	+2½
27	25	ANR pf	2.67	10.		1	25¾	25¾	25¾	− ⅛
8½	3½	ARX				89	3⅝	d 2⅞	3¼	− ⅛
39¾	37⅞	ASA	3a	6.3		769	57¾	55½	56⅞	− ¼
30½	16¼	AVX	.24	.8	29	101	30⅛	29¾	29⅞	− ⅛
70⅝	48⅛	AbtLab	1.40	2.2	10	4916	66	63¾	65	− ¼
19¼	12	Abitibi g	1			272	12⅛	13	13	− ½
13	8½	AcmeC	.40	3.0	14	47	11⅛	11⅛	11⅛	
9¾	6	AcmeE	.32	3.7	12	51	8⅝	8⅝	8⅝	
39½	29	Acuson			35	535	30⅛	29¾	30⅛	+ ⅛
15¾	12⅞	AdaEx	2.06e	13.		126	15½	15⅜	15⅜	− ⅛
19⅞	6½	Adobe				126	13½	13¼	13⅜	
19⅝	16½	Adob pf	1.84	9.3		7	19⅝	19⅝	19⅝	− ⅛
21⅝	19⅞	Adob pf	2.40	11.		73	21⅛	21	21	
19½	7⅛	AMD				493	7⅝	7⅝	7⅝	
35	28½	AMD pf	2	10.		3	29½	29½	29½	− ⅛
10⅛	6⅝	Advest	.10	2.9	11	17	8⅝	7¾	7⅞	− ⅛
62½	48⅛	AetnLf	2.76	3.9	9	1754	56⅞	55⅜	56¼	+ ½
14	11½	AflPb	.24	2.2		839	11⅛	d11	11⅛	
25	10¼	Ahmans	.88	5.3	6	5009	17⅛	16⅝	16¾	− ⅛
2⅞	2⅛	Aileen				41	2½	2⅜	2⅜	− ⅛
48¾	39⅞	AirPrd	1.32	2.6	11	724	47	45½	46	+ ⅞
39⅛	19⅜	AirbFrt	.60	1.7	18	267	36⅜	35⅞	36	− ⅜
25⅛	14½	Airgas			13	21	23½	23¾	22¼	− ⅛

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Continued on Page 35

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices December 19

NASDAQ NATIONAL MARKET

2pm prices December 19

AMERICA

Dow musters a recovery after early falls

Wall Street

CONTINUED selling of financial stocks and profit-taking on overpriced consumer non-cyclicals pushed the Dow Jones Industrial Average down by about 30 points yesterday morning, but then the market rebounded to stand only a little lower at midsession, *writes Janet Bush in New York.*

At 2 pm, the Dow stood 4.90 points lower at 2,702.43 on active volume of 127m shares by midsession. The Dow had dropped 42.03 points to 2,697.53 on Monday, partly because of concern about bank exposure to pockets of extreme weakness in the housing market. Bank of New England said last Friday that it had seen a sharp rise in non-performing loans related to the north-east real estate market.

That concern continued yesterday, although Mr Robert Clarke, Comptroller of the Currency, said that he was surprised by these fears and that investors did not appear to be differentiating between financial institutions with exposure and those with none.

The heavy selling in the first 1½ hours of the session yesterday reflected concern that Monday's plunge could presage a more prolonged decline. According to Mr Newton Zinder, technical strategist at Shearson Lehman Hutton, that decline was the broadest since October 13 and volume on Monday was the heaviest it has been since the dramatic recovery on October 16.

However, the rebound yesterday from mid-morning lows was fairly convincing.

Both the selling and the recovery appeared to happen in isolation to yesterday's news events, which included the release of the November consumer prices index which rose 0.4 per cent, a little more than markets had expected and the release of November housing starts which fell 4.7 per cent, in line with forecasts.

The Treasury bond market was on the defensive, albeit still trading in a narrow range, as the policy-making Federal Open Market Committee started its two-day meeting. There was no sign of any shift in monetary policy yesterday. The Fed did not operate in the money market, with Fed Funds at 8⅜ per cent. The long bond was quoted ⅛ point lower at midsession.

On the equity market, the financial stocks that were hit the worst on Monday did better. Bank of New England itself added $⅛ to $7⅞ at midsession and Federal National Mortgage gained $⅞ to $31⅜.

However, the Bank of New York fell $1⅛ to $37⅞, NBD Bancorp dropped $⅞ to $30⅝ and First Wachovia lost $⅞ to $38. Among money centre banks, Citicorp was down $⅝ at $28⅛ and Chase Manhattan fell $⅛ to $31⅝.

There was another major reversal of recent fortunes. Consumer non-cyclicals, which have been favoured all year, lost out to industrial stocks, which have increasingly begun to be regarded as undervalued in comparison.

Philip Morris, one of the best performing stocks in the consumer sector, dropped $⅞ to $40⅞ and Coca-Cola, another favourite, fell $⅞ to $78⅞.

By contrast, International Business Machines, which has been trading at its lowest level since 1983, jumped $1⅛ to $94⅞. Among other industrial stocks, International Paper added $⅝ to $53⅞, Du Pont rose $1⅛ to $123⅞ and USX gained $⅝ to $34⅞.

Walt Disney, which has been boosted all year by speculation in the entertainment industry, slumped $4⅝ to $121⅞.

AMR, the parent company of American Airlines, jumped $1⅞ to $59⅞ on a US press report that the company would pay Eastern Airlines as much as $500m for its Latin American routes and other assets of Texas Air, Eastern's parent. Texas Air fell $1 to $11⅞ following Eastern's announcement that it expects a $250m loss for the fourth quarter.

Canada

BANKING issues led the way down in Toronto, where stocks fell sharply by midsession. Fears about falling real estate prices undermined the bank sector, and that weakness spread to the general market.

The composite index fell 43.2 to 3,915.3. Declines led advances by 391 to 179, with volumes of 18m shares.

Among banks, the Bank of Nova Scotia dipped C$⅞ to C$15⅞, the Bank of Montreal lost C$1 to C$32⅞, the Royal Bank fell C$1⅛ to C$49⅞ and the Canadian Imperial eased C$1 to C$31⅞.

ASIA PACIFIC

Nikkei trims losses as rate fears resurface

Tokyo

SPECULATION about an increase in Japan's official discount rate jolted the market initially, but heavy losses were trimmed by arbitrage buying, which again offered the Nikkei index substantial support, *writes Michiyo Nakamoto in Tokyo.*

Share prices plunged more than 335 points in the first quarter of an hour of trading on reports that the Bank of Japan planned to raise the official discount rate for the third time this year. This was later denied by the authorities, but share prices fluctuated throughout the day, with the Nikkei average moving from a *high of 38,559.53 to a low of 38,250.47.*

Arbitrage buying minimised the losses, and the Nikkei closed 147.08 lower at 38,438.10.

The number of declines, at 753, far outnumbered the 222 advances, *while a further 159* issues were unchanged. Turnover rose to 966m shares from the 868m traded on Monday. The Topix index of all listed stocks lost 32.21 to 2,852.59 and, in London trading, the ISE/Nikkei 50 index fell 0.36 to close at 2144.00.

Although there had been some speculation about an increase in the discount rate, most people were taken by surprise by the talk, as there had been few signs that a rise was imminent.

By the time the Minister of Finance denied the rumours, saying there was no need for an immediate increase in the discount rate, the rumours had *already put a damper on the* market and share prices remained sluggish throughout the day.

The weak performance on Wall Street overnight added to the negative mood.

A correction had been expected and yesterday's downturn was seen more as a temporary break than as a reverse in the market's upward trend. This is the first time in seven trading days that the Tokyo market has finished lower. "It was basically profit-taking," said Mr Tetsuo Fukami of Shearson Lehman Hutton Asia.

The Nikkei's drop of 147 points was not an accurate reflection of the market's steep decline, as index-buying in arbitrage with the futures had supported the index, he added. Index-buying pushes up the prices of smaller capitalisation issues that constitute the index which rise easily due to the *small number of their shares* on the market.

While the Nikkei itself did not suffer a big loss, specific issues in areas that have been strong recently were substantially lower. These included *real estates, such as Mitsui* Real Estate and Mitsubishi Estate, which each fell Y100, to Y3,160 and Y2,600 respectively.

Financials also suffered. Industrial Bank of Japan dropped Y50 to Y6,250 and Sumitomo Bank retreated Y50 to Y3,700.

Interest was focused on specific situations. Bridgestone lost Y30 to Y1,920 after an announcement from the company that its consolidated earnings would drop 62 per cent in the current year, mainly because of the high costs of integrating Firestone Ruhber, acquired in March 1988, for $2.6bn.

Resources were higher in *active trading. Eight of the top* 10 most actively traded issues were in this category. Nippon Mining led with a volume of 64.2m shares and closed up Y130 at Y1,190. Dowa Mining followed with 32.5m shares and *a gain of Y200 to Y1,540.* Rumours of the discount rate hike spurred interest in these inflation-hedging, resource issues, which had already attracted attention on strong gold and oil prices.

Among oils, Cosmo Oil was third with 32.1m shares traded and increased Y90 to Y1,450. Investors speculated that interest shown by Saudi Arabia in oil production in Japan could accelerate moves to restructure the industry.

Osaka fell on profit-taking and the OSE average lost 108.48 to 38,956.65. Volume rose to 106m shares from the 102m traded on Monday. Kansai Electric Power fell out of favour, as a possible rate increase and higher oil prices were expected to take their toll on profits. It lost Y150 to Y5,000.

SOUTH AFRICA

GOLD SHARES traded quietly in Johannesburg, reflecting a thin market and pressure from a firmer financial rand. Ofsil lost R4 to R128 and Randfontein shed R1.25 to R33.

Vienna toasts a prosperous 1989

Judy Dempsey finds that the Austrian economy is in good spirits

AS Christmas approaches, the books are just about closed in Vienna. The bourse's trading hall is quiet. The traders deserve a Sacher torte, with a helping of Schlagobers, as they look back at the market's successful year and consider the prospects for 1990.

In 1989, the Vienna index has risen by 98 per cent, compared with a 17 per cent increase last year, closing at 477.43 yesterday.

It reached an all-time high of 543.97 on October 10, and it survived October's mini-crash in Wall Street fairly well, falling only 35.09 points, or 6.7 per cent. There are several reasons for the continuing growth of the Vienna exchange.

One is the economy: gross domestic product grew 4.5 per cent in the first half of the year, with the full-year figure likely to be 4.2 per cent; and unemployment is now less than 4 per cent.

However, following a round of wage negotiations, inflation has been revised upwards from 0.7 per cent to 2.7 per cent, and could reach 3 per cent during 1990.

The strong economy has been reflected in the constantly increased earnings expectations of Austria's companies.

Early this year, the Vienna-based Girozentrale Bank had expected earnings to rise by 10 per cent. "We soon had to revise them upwards to 30 per cent," says Mr Peter Zelnik, an analyst at GZ.

Companies such as Laakirchen, the paper group, OeMV, the partially-privatised oil and chemicals group, Montana, the financial services and engineering group, and Constantia, the industrial group, have proved a great attraction to foreign investors.

Second, political stability and continuing economic growth have brought foreign investors back to Austria.

Its decision in June to apply for full membership of the European Community, plus its geographical location between East and West, have helped to heighten its profile.

This was underlined last September by the launch in New York of the Austria Fund by the US investment firm, Alliance Capital.

Then there is the structure of the Vienna bourse, which has seen a minor revolution.

From December 1, following the introduction of a new stock exchange law, the bourse is no longer under the authority of the Ministry of Finance. Whereas the bourse used only to make recommendations, it is now free to decide which shares can be listed on the exchange. A legal framework has also been established to set up an options and futures market.

"All in all, the exchange now conforms to the EC stock exchange regulations," explains Mr Wolfgang Feuchtmuller, chief markets analyst at Landerbank.

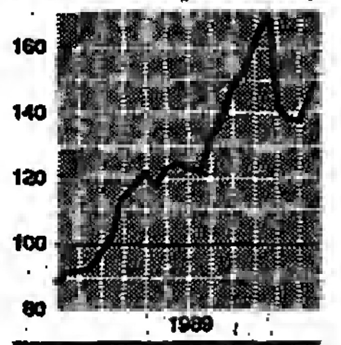
Another reason for Vienna's continued good performance is that there is much more liquidity around.

Total turnover for 1989 will exceed Sch90bn, (£4.63bn) a substantial increase on last year's Sch23bn, thanks to the Government's privatisation policies and the gradual growth of risk-taking in a country that for years has fought shy of shares.

Finally, there is the Gorbachev factor. The opening up of the economies of eastern Europe to the West is expected to be one of the more exciting challenges facing Viennese traders.

Austria

FT-A World index (in local terms)



Last week, Girozentrale, heading an international consortium, bought 40 per cent of Ibusz, Hungary's successful travel agency.

Once the company's accounting is brought into line with international standards, Ibusz will be listed on the Vienna stock exchange, possibly as early as next year, thus becoming the first East European company to attain such a status.

But Mr Zelnik, among others, in spite of being excited about the possibilities, strikes a note of caution.

"There is really nothing in which to invest at the moment in eastern Europe," he says. "There are many investors looking to invest. But as you can see from the First Hungary Fund — launched in October — the investors have as yet nothing to put their money in."

Austria is seen as a bridge between East and West: the country's banks, attuned to the culture of central Europe, could provide an entry for foreign investors into eastern Europe.

Last May, for example, Girozentrale bought 49 per cent of Tungsram, the giant Hungarian light and bulb company, and half of those shares were recently sold on to General Electric.

Maybe this time next year, Austrian traders will be imbibing Hungarian Tokaj brandy with their Sacher torte.

EUROPE

Frankfurt reaps benefits of nervousness over US

WORRIES about the American economy and Wall Street's sharp decline on Monday coloured trading on the Continent yesterday. Frankfurt benefited from a migration of buyers from the US to West Germany, but most markets ended lower in nervous trading, *writes Our Markets Staff.*

FRANKFURT inspired enthusiasm abroad, with foreign buyers pushing shares higher in active trading. The DAX index gained 12.93 to 1,647.50 and the FAZ added 2.35 to 588.47. Turnover reached DM5.8bn.

Much of the interest was from the US and Japan, and from funds switching from America amid nervousness about its economy.

VW surged DM11.50 to DM509.50 in the day's busiest trading, worth DM829m. The company said that this year had been the best in its history, with group sales up 10 per cent at DM65bn.

Hopes that German interest rates had peaked boosted banking stocks, with Commerzbank up DM5.50 at DM279.50, Dresdner DM2 higher at DM406.50 and Deutsche rising DM1.50 to DM772.

Metallgesellschaft gained DM14 to DM547 after Monday's news of a venture in Hungary.

In the retail sector, Asko gained DM31 to DM835 before news that it is discussing co-operation with Metro of Switzerland. The deal could involve Massa, up DM11 at DM333, in which Asko owns 50 per cent.

PARIS was hampered by nervousness about the US. Share prices opened lower and recovered throughout the day, before declining again on the news that Wall Street was once more in retreat. The OMF 50 index closed 3.59 lower at 527.71 in modest trading.

Paribas moved against the trend, rising FFr3 to FFr715 on speculation of stake-building by its takeover target, Navigation Mixte.

Elsewhere in the financial sector, Bancaire fell FFr18 to FFr630 and Société Générale lost FFr5 to FFr527, after leading banks followed Monday's rise in key Bank of France interest rates with a ½ point increase in base rates.

MILAN slipped as the previous night's retreat in the US cast a cloud over early proceedings. The Comit index shed 2.13 to 677.46 in turnover thought to be similar to Monday's L175bn.

AMSTERDAM edged lower as Wall Street remained weak in quiet trading tinged with an end-of-year feeling. There were a few big movers, with Pirelli Tyre falling Fl 2.90, or 7.5 per cent, to Fl 35.10 on lower profit expectations. The CBS tendency index eased 1.2 to 181.6.

ZURICH shrugged off Wall Street's woes and advanced in moderate trading as investors responded to slightly lower local interest rates. The Credit Suisse index gained 2.3 to 607.6.

Position squaring before the end of the year and buying at lower price levels accounted for the rise. Banks and chemical issues attracted good demand. Sandoz bearers rose SFr375 to SFr11,400 and Hoffmann-La Roche bearers gained SFr150 to SFr7,500. Ciba-Geigy slipped SFr5 to SFr3,640 after saying that it had bought a 51 per cent stake in Danutec Werkstoff of Austria.

HELSINKI rose in heavy volume after a number of large block trades. The Unitas all-share index rose 7.4, or 1.2 per cent, to 620.0 in turnover worth FM258m, of which free shares made up only FM9.3m.

STOCKHOLM saw the profit-takers keep up the pressure, although bargain-hunters managed to trim the market's early losses. The Affärsvärlden General index shed 3.1 to 1,311.8 in a fairly lively session, with turnover of SKr630m, up from Monday's SKr418m.

Ericsson, the telecommunications group, rose on news that its US subsidiary had won an order from US West, the regional telephone company. Ericsson's free B shares advanced SKr15 to SKr638.

COPENHAGEN was in quiet mood, easing slightly after the US decline on Monday. Danisco, which reports interim results today, lost DKr27.70 to DKr392.30.

Baltica Holding, the financial issue, withstood the downward pressure, adding DKr5 to DKr815 after Monday's news that it had a 5 per cent stake in Groupe Victoire of France.

BRUSSELS was mixed in trading that was curtailed by one hour by difficulties with CATS, the computer trading system. The cash market index fell 36.21 to 6,388.08, as high interest rates continued to overhang the market.

MADRID eased in response to the overnight fall on Wall Street. The general index lost 1.79 to 300.49.

PROMISED investment in Turkey through a new Mediterranean Fund spurred the Istanbul stock exchange index up 2.2 per cent to a record 1,934.64 yesterday — its highest level since the bourse's relaunch in 1986, *writes Jim Bodgener in Ankara.*

Trading volume yesterday was TL25bn ($10.8m) — small, but far above the levels of a fortnight ago. Turkey should benefit from the $55m Mediterranean Fund launched by Schroder Investment Management and Nomura; this comes in the wake of a $50m convertibility package in August which threw Turkey open to foreign investors.

The index was already on an upswing of investor confidence generated by block purchases of blue chips last week for a $60m Turkish Investment Fund on the New York Stock Exchange.

The fund's purchases kicked off with a TL24bn purchase of shares in the leading private sector Koc Group last Wednesday. Purchases of shares in other top companies, including Istanbul stock exchange leader Eregli Iron and Steelworks, a day later totalled TL41bn.

The block purchases are negotiated outside the exchange, but indirectly fuel investor confidence, according to Mr Muharrem Karsli, the exchange's president.

It is hoped that the Turkish Investment Fund will persuade the families that own most of Turkey's largest corporations to put more shares into public ownership.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY DECEMBER 18 1989						FRIDAY DECEMBER 15 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	147.86	+0.7	136.77	125.60	+0.7	5.42	146.79	135.64	124.88	160.41	128.28	141.15
Austria (19)	167.28	−0.2	154.72	149.90	−0.2	1.62	167.67	154.93	150.15	172.22	92.84	96.41
Belgium (63)	150.06	+0.2	138.79	134.33	+0.2	4.14	149.79	138.41	134.09	150.39	125.58	132.54
Canada (122)	151.14	−0.7	139.79	127.01	−0.7	3.18	152.20	140.64	127.90	154.17	124.87	122.18
Denmark (38)	236.44	−0.2	218.66	215.66	−0.1	1.47	236.99	218.98	215.79	237.06	165.35	153.51
Finland (26)	130.64	−0.2	120.82	112.05	−0.3	2.52	130.89	120.95	112.35	159.16	118.63	130.94
France (126)	149.32	−0.6	138.10	138.13	−0.3	2.70	150.09	138.68	138.61	150.60	112.57	109.13
West Germany (96)	112.20	+0.0	103.77	100.71	+0.2	2.07	112.19	103.66	100.46	112.97	79.56	87.12
Hong Kong (48)	120.74	+0.2	111.67	121.03	+0.1	4.71	120.56	111.40	120.85	140.33	86.41	108.07
Ireland (17)	176.58	−0.9	163.32	162.78	−0.9	2.67	178.12	164.58	164.25	179.42	125.00	131.20
Italy (97)	95.65	−0.5	86.47	92.05	−0.4	2.49	96.14	88.84	92.39	96.73	74.97	83.98
Japan (455)	197.78	+0.4	182.93	180.13	+0.4	0.45	197.07	182.09	179.50	200.11	164.22	185.77
Malaysia (36)	221.07	+0.7	204.46	229.75	+0.7	2.31	219.57	202.89	228.20	221.07	143.35	141.64
Mexico (13)	310.89	+2.7	287.54	906.71	+2.6	0.57	302.64	279.65	883.48	326.61	153.32	161.95
Netherland (43)	138.51	−0.3	128.11	123.18	+0.0	4.32	138.88	128.33	123.22	139.47	110.63	112.36
New Zealand (18)	71.78	+1.0	66.39	64.13	+0.8	5.55	71.09	65.69	63.61	88.16	62.64	65.06
Norway (24)	162.66	−0.3	178.19	174.42	−0.1	1.57	193.29	178.60	174.60	196.39	139.92	133.37
Singapore (26)	174.71	+0.3	161.58	153.81	−0.1	1.96	174.26	161.02	153.96	176.24	124.57	120.18
South Africa (60)	186.44	−0.1	172.44	158.50	−0.5	3.57	186.60	172.43	160.28	188.04	115.35	115.96
Spain (43)	162.94	+0.4	150.70	137.63	+0.2	3.82	162.32	149.99	137.36	169.75	143.14	148.97
Sweden (35)	182.45	−1.5	168.74	169.42	−1.1	2.02	185.20	171.13	171.21	188.94	138.45	143.85
Switzerland (62)	90.89	−1.3	84.06	87.22	−1.4	2.05	92.08	85.08	88.42	94.16	67.81	76.29
United Kingdom (303)	153.75	+0.4	142.20	142.20	+0.5	4.37	153.08	141.45	141.45	158.41	133.28	134.32
USA (544)	139.17	−1.8	128.71	139.17	−1.8	3.36	141.75	130.98	141.75	146.29	112.13	113.42
Europe (990)	136.32	+0.0	126.08	124.48	+0.1	3.38	136.35	125.99	124.36	136.58	112.63	113.04
Nordic (121)	180.50	−0.8	166.94	159.29	−0.5	1.79	181.96	168.13	160.13	181.96	137.95	135.49
Pacific Basin (668)	192.87	+0.4	178.38	175.63	+0.4	0.69	192.15	177.55	174.97	194.72	160.44	160.78
Euro−Pacific (1658)	170.37	+0.2	157.57	155.17	+0.8	1.56	169.95	157.04	154.73	170.37	141.56	153.67
North America (666)	139.78	−1.8	129.28	138.41	−1.8	3.36	142.27	131.46	140.88	145.88	112.79	113.87
Europe Ex. UK (687)	124.52	−0.3	115.17	113.72	−0.2	2.72	124.94	115.44	113.94	124.94	96.30	99.55
Pacific Ex. Japan (213)	134.04	+0.5	123.97	119.73	+0.5	4.82	133.32	123.19	119.14	140.06	111.93	121.13
World Ex. US (1853)	169.94	+0.2	157.18	154.49	+0.2	1.63	169.58	156.69	154.11	169.94	141.49	152.20
World Ex. UK (2094)	158.33	−0.5	146.44	150.03	−0.8	1.95	159.13	147.04	150.78	159.46	136.98	137.57
World Ex. So. Af. (2337)	157.73	−0.4	145.88	149.20	−0.4	2.15	158.40	146.36	149.80	158.34	136.67	137.39
World Ex. Japan (1942)	138.91	−1.0	128.48	133.29	−1.0	3.42	140.30	129.64	134.57	140.89	114.51	113.94
The World Index (2397)	157.90	−0.4	146.04	149.26	−0.4	2.18	158.57	146.52	149.86	159.01	136.98	137.29

Constituent Change 19/12/89: Deletion: CB Pak Inc.(Canada). Latest prices were unavailable for this edition.